Communications Platform as a Service

M&A Report | 2021

M&A IN CPAAS SECTOR SURGES AMID INTENSIFIED COMPETITION

capitalmind

HIGH M&A ACTIVITY & CONSOLIDATION

There has been quite some M&A activity in the Communications Platform as a Service (CPaaS) market. The last five years, leading CPaaS players have been competing for market share by engaging in numerous acquisitions on global scale.

The CPaaS market is expected to register a CAGR of 34.3% during the forecast period (2020 - 2025). The market is highly competitive, primarily small and large vendors in the market conducting business in domestic and international markets. Under the current CPaaS 3.0 proposition – which is currently in full bloom – the leaders of the core CPaaS segment are moving beyond the delivery of basic API functions.

Leading companies are raising capital to pursue M&A strategies and strong growth:

- In 2020, Infobip raised over $200m from private equity firm One Equity Partners at a valuation of over $1bn. It was the company's first external round of funding.
- Sinch raised $690 million from SoftBank in December 2020 to fund further acquisitions.
- MessageBird raised $200 million in Series C funding in a round led by Silicon Valley's Spark Capital – at $3 billion valuation.
- Several mid-sized players went through successful IPO – Link Mobility Group, Route Mobile, CM.com

ACQUIRERS ARE WILLING TO PAY HIGH DOUBLE-DIGIT EBITDA MULTIPLES IN HIGHLY COMPETITIVE MARKET

Target	Country	Target description	Buyer	Country	Ann. date	EV in €m	EV / Revenue	EV / EBITDA
Inteliquent, Inc.	US	Interconnection provider for voice communications	Sinch AB	SE	Feb 21	947,0	2,1x	8,4x
Tismi B.V.	NL	CPaaS enabler, virtual mobile numbers and signaling services	LINK Mobility Group	NO	Feb 21	20,0	-	-
WAVY Global	BR	SMS and messaging services to enterprises	Sinch AB	SE	Feb 21	108,0	1,3x	12,5x
OpenMarket Inc.	US	Provider of mobile messaging solutions to enterprises	Infobip Limited	GB	Dec 20	254,0	-	-
Segment.io, Inc	US	Customer data platform	Twilio Inc.	US	Nov 20	2.740,0	-	-
Voxbone SA/NV	BE	International enterprise cloud communications	Bandwidth Inc.	US	Nov 20	455,0	6,0x	35,0x
SAP Digital Interconnect	DE	Cloud-based communications products	Sinch AB	SE	Nov 20	225,0	0,7x	14,6x
ACL Mobile Limited	IN	Cloud communications for mobile customer engagement	Sinch AB	SE	Sep 20	62,0	1,1x	11,1x
Chatlayer bvba	BE	Conversational AL capabilities	Sinch AB	SE	Apr 20	7,0	8,6x	NM
Wavecell	SG	Conversational CPaaS solution including a cloud-first API platform	8x8, Inc.	US	Jul 19	124,0	-	-
SendGrid, Inc.	US	Email API platform	Twilio Inc.	US	Feb 19	1.582,0	12,5x	NM
TeleSign Corporation	US	Cloud communications platform	BICS	BE	Oct 17	210,0	2,3x	-
Nexmo, Inc.	US	Cpaas	Vonage	US	Jun 16	219,0	-	-
					Average		4,3x	16,3x
					Median		2,2x	12,5x

Sources: Capitalmind research, selection of observed transactions in CPaaS space

DIVERSIFIED CPAAS BUYERS

Despite numerous acquisitions in latest years, the market appears to be fragmented, with key vendors adopting major strategies like product innovation, mergers, and acquisitions to widen their product functionality and stay competitive.

Buyer	Targets ('15-'21)	Remarks
VONAGE	nexmo, iCore Networks, NewVoiceMedia, Over.ai, tokbox, TELESPHERE	Vonage Holdings Corp. is a communication platform as a service (CPaaS) provider for consumers and businesses that makes it possible for customers to connect and communicate on any device through cloud-hosted voice, video, chat and short message service (SMS). The holding has grown significantly through multiple acquisitions and wants to be the world's most flexible communications platform, leveraging the company's APIs, global carrier network, global footprint, public cloud infrastructure, and third-party integrations.
twilio	Teravoz, SendGrid, beepsend	Twilio Inc., a cloud communications platform that enables developers to build, scale, and operate communications within software applications. Recently, Twilio completed its acquisition of Segment for $3.2 billion in stock, which ties in perfectly with Twilio's vision of creating the world's leading customer engagement platform, bringing in more than 5,000 new customers and expanding its new owner's market opportunity by $17 billion.
sinch	Intelliquent, Chatlayer.ai, ACL, TWW, dialogue, unwire, WAVY, mblox	Sinch AB is a cloud communication platform. The Company offers personalized messaging, number masking, video calling, voicemail, and other related services. Growth through acquisitions is a key part of the Sinch corporate strategy and an important means to grow shareholder value. The company evaluates opportunities on an ongoing basis, and looks for targets in both Scale & Profitability and Technology & Go To Market.
link mobility	tismi, HORISEN, linus, ARKENTNET, voicecom, labyrintti, see me, XURA, TERACOM, GMS, netmessage, hsl	Link Mobility Group ASA provides mobile communications in Europe. The company offers a range of mobile messaging, digital capabilities, and data services to create digital convergence between companies and customers, platforms, and users. Link Mobility Group ASA had been rapidly growing by acquisitions since 2016 and in 2017 LINK completed the issuance of EUR 80 million senior secured bonds in the Nordic bond market, with a EUR 175 million borrowing limit, to finance the company's growth strategy through acquisitions.
imi mobile	sumotext, infracast, rostrvm, interactive	IMImobile PLC provides cloud communications software and solutions in Europe, the Americas, the Asia Pacific, the Middle East, and Africa. Its solutions enable enterprises to automate digital customer communications and interactions to enhance customer experience and reduce operating costs. IMI mobile has grown significantly since 2014 steady organic growth as well as multiple acquisitions for market distribution
MessageBird	PUSHER, hull, 24SESSIONS, iBasis	MessageBird B.V. develops and markets cloud based software solutions for calling, customer service, two-factor authentications, and notifications. It offers voice solutions, text message services, programmable conversations, emails, lookup, and flow builder solutions. The company was founded in 2011 and is based in Amsterdam, the Netherlands. In order to grow, MessageBird B.V. is planning an IPO in the coming 12 months

M&A RATIONALE & CAPITALMIND TRACK RECORD

RON BELT
Managing Partner

"We are in constant contact with major industry players in the CPaaS sector and our in-depth knowledge of the space will help you achieve the best results"

According to Gartner, CPaaS vendors are rapidly expanding their product scope to target a wider range of use cases in an increasingly competitive environment.

This segment is becoming increasingly consolidated, led by a few large players, followed by a robust band of midsize companies and a long tail of smaller companies. However, this segment will continue to evolve as companies like Microsoft and Cisco and network operators like AT&T gain traction and provide additional competition.

We find that acquirers look for:

- Enriching platforms to be fully programable across the modalities
- Improving customer engagement
- Boosting KPIs, connectivity and technical capabilities
- Enhancing messaging and API capabilities
- Expanding geographically / Entering new markets
- Acquiring customer base

tismi! sold to link mobility

CPaaS enabler

Capitalmind has advised the shareholders of Tismi on the sale to LINK Mobility Group

Tismi is a provider of telecommunication services and products and holds licensed operator status in 8 European countries. The company's main business comprises of providing virtual mobile phone numbers, smart traffic routing and signaling services to Enterprise customers and CPaaS providers.

Capitalmind actively supported Tismi as exclusive advisor along the entire sell-side process: marketing materials preparation, screening and selection of the relevant strategic buyers through a competitive process, management of the due diligence and negotiation of terms and conditions of the deal plus ultimate closing of the transactions.

CBizz your world connected sold to DELTA

Business internet services

intercity technology sold **Intercity Mobile Communications** to Within Reach Group

Telecom

REITSMA Innovating your business sold to WILROFF SERVICES SYSTEMS SOLUTIONS

Telecom services provider

EDM RETURN ON DATA acquired Human Inference from NEOPOST

Data quality management software

Contact us

You are welcome to reach out if you would like to find out whom your company could be an interesting target for or if you would like to learn what opportunities there are in the market. This can be arranged by video call or meeting (if COVID allows). We can provide you with more detailed information on the sector and the various potential acquirers in the market.

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