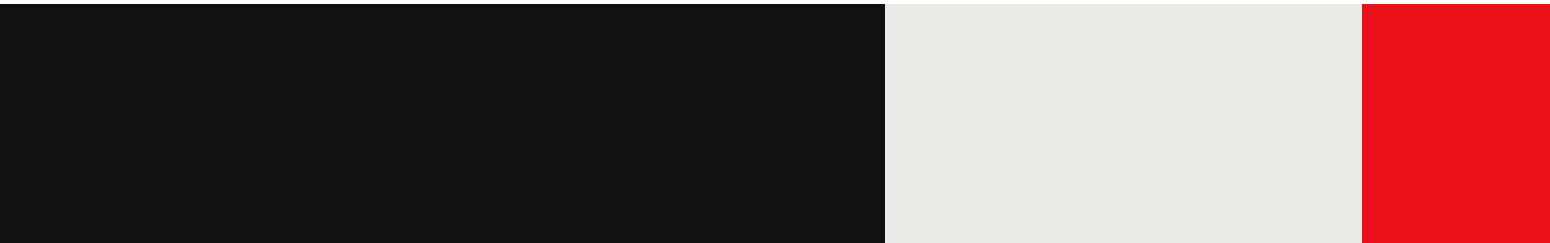



# Enterprise Software Acquisition Surges

## Article



**E**arlier this week, private equity firm Vista Equity Partners announced that it was **buying Apptio for \$1.94 billion** and SAP announced that it was **purchasing Qualtrics for \$8 billion**. These acquisitions are just the latest in a recent series of blockbuster deals involving software firms. Much of the M&A activity has been driven by legacy tech firms and cloud companies.

### The Deals

- IBM announced in October that it would pay \$34 billion to buy open source software company Red Hat, which makes the deal the **third largest tech acquisition ever**.
- In October, cloud company Twilio **bought email tech firm SendGrid** for \$2 billion.
- Cisco **acquired cybersecurity company Duo Security** in August for \$2.4 billion.
- In March, Salesforce **purchased cloud firm MuleSoft** for \$6.5 billion and in July it **bought data platform Datorama** for a reported \$800 million.
- After Broadcom's mega bid of \$117 billion for Qualcomm **got blocked by the Trump administration**, the chip maker went on to buy B2B software firm for CA Technologies **for \$18.9 billion** in July.
- Microsoft bought software development repository GitHub in June for **\$7.5 billion in stock**.

## What It Means

The glut of big tech deals and consolidation is, in some ways, reflective of what's going on in the broader economy. According to Dealogic, global M&A deals are on pace to reach \$4.8 trillion this year, **which would set a record**.

The dynamics that led to these software deals are multifaceted. They include integration into new areas of business, making sure their competitors couldn't buy valuable assets, restructuring business models and creating a good story they could promote in the market, according to Darren Herman, operating partner at Bain Capital.

Large acquisitions of software companies shows how popular a commodity data is. In a December 2017 **survey of 650 IT decision-makers worldwide** by MuleSoft (one of the companies recently acquired for billions of dollars), nearly six in 10 respondents said their companies are investing in big data and analytics. More recently, in an April 2018 survey of 123 US marketers **from SmarterHQ, Cheetah Digital, Liveclicker and MailCharts**, 82.8% of respondents said they are investing in data and analytics.

## Marketing Technologies in Which US B2C Marketers Are Investing, April 2018

% of respondents



Source: SmarterHQ, Cheetah Digital, Liveclicker and MailCharts, "Marketers Are on a Mission: The State of B2C Marketing," June 5, 2018

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Several of the firms that recently shelled out to purchase tech assets have been very **active on the M&A front** over the past few years. It is possible that the combination of acquisitions could become more valuable than when they operated separately. But that will come down to how everything is integrated.

"How will they integrate?" Herman asked. "This always is better on paper than reality."