How APIs are driving innovation and transformation

While not a new trend, the use of application programming interfaces (APIs) has become an increasingly discussed topic with our clients and as part of the transactions we work on. As industries—especially those that have been slower to adopt technology—undergo digital transformation, APIs provide an important role in connectivity and innovation.

APIs are essentially secure connection points between one application and other systems, applications, devices or services. A 2021 survey said over 40% of large organizations use over 250 APIs and 71% of developers plan to use more in the coming year. These are some of the trends we see that are driving their increased adoption.

We believe the following trends will drive an increase in the future adoption of APIs.

**Companies’ increased usage of business applications requires connectivity**

The days of companies having one single ERP application are long gone. In fact, in 2021, companies used an average of 110 business applications, a 38% increase over the prior year. Companies have found using an assortment of best-in-class solutions can be a successful strategy, but in many cases they require connectors to effectively communicate with each other. That’s where APIs come in.

Adoption of the Internet of Things (IoT) is creating a need for connections between devices and applications

The rise of the IoT is creating more communication points between devices and applications. This creates a need for secure APIs to be able to effectively receive data from connected devices so they can be used for data analysis and to drive insights.

As more industries digitally transform, APIs are needed to drive innovation and make connections

There are industries that are undergoing massive digital transformation. These include financial services, health care, construction and government. Depending on the application, there’s an increased need for connectivity and communication between industries. For example, government applications may need to receive legal, financial and health care information to better serve their customers, and APIs can provide the bridge to securely and effectively do this.

That all said, this ability to innovate through connectivity is not without its challenges. For some uses, larger applications may not have data that is well configured to share through API. Earlier-stage industries like ESG are looking to other business applications to allow customers to access the data they need from the systems. Systems are continually changing to better provide connectivity with other systems, and new companies are being founded to deliver services through APIs to help fill the gaps in connectivity that currently exist.

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EY acted as the exclusive financial advisor to Metrio and led all portions of the process - leveraging our strong industry sector expertise and transaction experience to help achieve an optimal outcome for the Acquirer.

About Metrio
Metrio is a leader in sustainable development solutions. Since 2009, its CSR reporting software has helped more than 5,000 users at over 100 global companies simplify the way they collect, analyze and share their ESG data to become more sustainable, transparent and profitable. Metrio is a certified B Corp, a member of the SASB Alliance, a signatory to the United Nations Global Compact and a CDP accredited supplier.

The deal
EY advised Metrio Inc. (Metrio) on its sale to a technology company that operates leading stock exchanges and serves capital markets globally (the Acquirer).

The Win-Win
The acquisition will allow the Acquirer to integrate the Metrio solution with other complementary businesses to provide an end-to-end suite of sustainability reporting solutions. This will help accelerate the Acquirer’s ability to support corporate clients who are looking for improved reporting technology across all three pillars of ESG.

“Working with the EY’s M&A team was certainly one of the best decisions in Metrio’s recent history! They helped us navigate through a very active industry consolidation while adapting the go-to-market strategy as context constantly evolved. The EY team did impressive work to apply their knowledge of the software and ESG industry to best position us for a successful result. Their experience was instrumental not only in finding the right strategic partner for Metrio’s next phase, but also in building the best transaction agreement for shareholders and employees!

– Patrick Elie, CEO and Co-Founder
Select transactions in Q2 2022*

Jun 29, 2022: SMART Global Holdings (Nasdaq: SGH) announced the acquisition of Stratus Technologies, Inc., a leading provider in providing simplified, protected and autonomous Edge computing platforms, for a transaction value of approximately $275 million*. *Includes earnouts of $50 million

Jun 27, 2022: Siemens Smart Infrastructure announced the acquisition of Brightly Software, Inc., a leading provider of cloud-based enterprise asset management software-as-a-service (SaaS), for a transaction value of approximately $1.9 billion*. *Includes earnouts of $300 million

Jun 24, 2022: Hellman & Friedman LLC and Permira announced the acquisition of Zendesk, Inc., a leading provider of cloud-based multi-carrier parcel shipping solutions, for a transaction value of approximately $1.140 million*. *Includes earnouts of $75 million

Jun 14, 2022: Future Health ESG Corp. (Nasdaq: FHLT) announced a merger with Excelera DCE, a provider of an AI technology platform that provides physicians with precision medicine insights technology, in a SPAC deal at an enterprise value of $459 million. The transaction represents an enterprise value of 1.3x revenue.

Jun 13, 2022: Cornerstone OnDemand, Inc. announced the acquisition of SumTotal Systems, LLC, a provider of learning and human capital management SaaS, for a transaction value of approximately $200 million. The acquisition represents an enterprise value of 1.7x revenue and 8.0x EBITDA.

Jun 06, 2022: Descartes Systems Group (TSX: DSG) (Nasdaq: DSGX) acquired XPS Ship, LLC, a provider of cloud-based multi-carrier parcel shipping solutions, for a transaction value of approximately $1.140 million*. *Includes earnouts of $75 million

Jun 07, 2022: Nasdaq, Inc. (Nasdaq: NDAQ) acquired Metrio Inc., a privately held provider of ESG data collection, analytics and reporting services based in Montreal. Nasdaq plans to integrate Metrio’s SaaS platform into its suite of ESG solutions.

Jun 01, 2022: Information Services Corporation (TSX: ISV) acquired Reamined Systems Inc., a developer and operator of an online property tax analysis platform in the province of Ontario, for a transaction value of $36.3 million.

May 26, 2022: Broadcom Inc. (NasdaqGS: AVGO) announced the acquisition of VMware, Inc., a provider of multi-cloud services for all apps, enabling digital innovation with enterprise control, for a transaction value of $72.8 billion. The acquisition represents an enterprise value of 5.3x revenue and 22.3x EBITDA.

May 26, 2022: Advanced Micro Devices, Inc. (NasdaqGS: AMD) acquired Pensando Systems Inc., an operator of a distributed services platform offering cloud computing, networking, storage and cloud security services, for a transaction value of $1.9 billion.

May 09, 2022: Robert Glaser announced the acquisition of RealNetworks, Inc., a provider of platforms such as SAFR, a computer vision platform for live video, and KONTXT, an NLP (Natural Language Processing) platform for text and multi-media analysis, for a transaction value of $24 million. The acquisition represents an enterprise value of 0.3x revenue.

*Deals indicated are Canadian deals.

Data sources: S&P Capital IQ, Mergermarket, Press Releases
Shopify Inc. (NYSE: SHOP) announced the acquisition of Deliverr, Inc., a provider of tech-enabled e-commerce fulfilment services, for a transaction value of $2.1 billion.

Intercontinental Exchange, Inc. (NYSE: ICE) announced the acquisition of Black Knight, Inc., a provider of software, data and analytics services to the housing finance continuum, including real estate data, mortgage lending and others, for a transaction value of $16.4 billion. The acquisition represents an enterprise value of 10.8x revenue and 19.4x EBITDA.

GI Manager L.P. announced the acquisition of GTY Technology Holdings Inc., a provider of cloud software solutions for the public sector, for a transaction value of approximately $428.5 million. The acquisition represents an enterprise value of 6.6x revenue.

Synopsys, Inc. (NasdaqGS: SNPS) announced the acquisition of WhiteHat Security, a leading provider of application security SaaS from NTT Security Corporation, for a transaction value of approximately $330 million.

TA Associates Management, LP and Clearlake Capital Group, L.P. announced the acquisition of Kofax Limited, a provider of intelligent automation software to facilitate digital workflow transformations, for a transaction value of approximately $3.0 billion.

Arogo Capital Acquisition Corp. (NASDAQ: AOGOU, AOGO, AOGOW) announced a merger with EON Reality, Inc., a provider of virtual and augmented reality (AR/VR) academic and industry training solutions, in a SPAC deal at a pro-forma enterprise value of $655 million.

TPG Capital, L.P. announced the acquisition of ClaimsXten, the claims editing business of Change Healthcare Inc., a technology provider for payment services related to healthcare industry, for a transaction value of approximately $2.2 billion.

KKR & Co. Inc. (NYSE: KKR) announced the acquisition of Barracude Networks, Inc., a provider of cybersecurity solutions across email protection, application security, network security and data protection, for a transaction value of approximately $4 billion.

Thoma Bravo, LLC announced the acquisition of SailPoint Technologies Holdings, Inc., a provider of enterprise identity governance solutions that offers on-premises software and cloud-based solutions, for a transaction value of approximately $6.9 billion. The acquisition represents an enterprise value of 15.6x revenue.

Arogo Capital Acquisition Corp. (NASDAQ: AOGOU, AOGO, AOGOW) announced a merger with EON Reality, Inc., a provider of virtual and augmented reality (AR/VR) academic and industry training solutions, in a SPAC deal at a pro-forma enterprise value of $655 million.

Apr 26, 2022: Arogo Capital Acquisition Corp. (NASDAQ: AOGOU, AOGO, AOGOW) announced a merger with EON Reality, Inc., a provider of virtual and augmented reality (AR/VR) academic and industry training solutions, in a SPAC deal at a pro-forma enterprise value of $655 million.

Apr 22, 2022: TPG Capital, L.P. announced the acquisition of ClaimsXten, the claims editing business of Change Healthcare Inc., a technology provider for payment services related to healthcare industry, for a transaction value of approximately $2.2 billion.

Apr 12, 2022: KKR & Co. Inc. (NYSE: KKR) announced the acquisition of Barracude Networks, Inc., a provider of cybersecurity solutions across email protection, application security, network security and data protection, for a transaction value of approximately $4 billion.

Apr 11, 2022: Thoma Bravo, LLC announced the acquisition of SailPoint Technologies Holdings, Inc., a provider of enterprise identity governance solutions that offers on-premises software and cloud-based solutions, for a transaction value of approximately $6.9 billion. The acquisition represents an enterprise value of 15.6x revenue.

Apr 10, 2022: Bolt Financial Inc. announced the acquisition of Wyre Payments Inc., a developer of a blockchain-based payment tool, for a transaction value of approximately $1.5 billion.

Apr 07, 2022: Brookfield Business Partners L.P. (NYSE: BBU) announced the acquisition of CDK Global, Inc., a provider of retail technology and SaaS solutions, for a transaction value of approximately $8.3 billion. The acquisition represents an enterprise value of 4.7x revenue and 14.2x EBITDA.

Apr 07, 2022: TPG Capital, L.P. announced the acquisition of ClaimsXten, the claims editing business of Change Healthcare Inc., a technology provider for payment services related to healthcare industry, for a transaction value of approximately $2.2 billion.

Apr 07, 2022: Thoma Bravo, LLC announced the acquisition of SailPoint Technologies Holdings, Inc., a provider of enterprise identity governance solutions that offers on-premises software and cloud-based solutions, for a transaction value of approximately $6.9 billion. The acquisition represents an enterprise value of 15.6x revenue.

April 06, 2022: Arogo Capital Acquisition Corp. (NASDAQ: AOGOU, AOGO, AOGOW) announced a merger with EON Reality, Inc., a provider of virtual and augmented reality (AR/VR) academic and industry training solutions, in a SPAC deal at a pro-forma enterprise value of $655 million.

April 22, 2022: TPG Capital, L.P. announced the acquisition of ClaimsXten, the claims editing business of Change Healthcare Inc., a technology provider for payment services related to healthcare industry, for a transaction value of approximately $2.2 billion.

April 12, 2022: KKR & Co. Inc. (NYSE: KKR) announced the acquisition of Barracude Networks, Inc., a provider of cybersecurity solutions across email protection, application security, network security and data protection, for a transaction value of approximately $4 billion.

April 11, 2022: Thoma Bravo, LLC announced the acquisition of SailPoint Technologies Holdings, Inc., a provider of enterprise identity governance solutions that offers on-premises software and cloud-based solutions, for a transaction value of approximately $6.9 billion. The acquisition represents an enterprise value of 15.6x revenue.

*Deals indicated are Canadian deals. Data sources: S&P Capital IQ, Mergermarket, Press Releases
Deal volumes continue to dip compared to 2021 highs, with deal values ticking up slightly compared to Q1 2022 levels.

Public company multiples continue to dip, subsequent to the highs observed in Q4 2021.

Revenue and EBITDA transaction multiples in Q2 2022 have continued to outpace those in Q2 2021 and are slightly down compared to Q1 2022.

Deal value by type of acquirer (%)

Deal volume by type of acquirer (%)

Revenue and EBITDA transaction multiples in Q2 2022 have continued to outpace those in Q2 2021 and are slightly down compared to Q1 2022.

*Sample size for M&A deal multiples has been sourced from S&P Capital IQ and comprises transactions completed between Jul 1, 2018 and Jun 30, 2022 in Canada and the US. The sample has been compiled by EY Orenda Corporate Finance Inc. based on subjective assessment of transactions in the Software sector. Furthermore, the categorization of the sample across various sub-sectors and any analysis thereof, by EY Orenda Corporate Finance Inc. is solely for illustrative purposes and were not created to serve as benchmarks. Every transaction has specific characteristics that impact value and corresponding multiples. It is necessary to understand the background and circumstances surrounding each transaction to extract meaningful insights.
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