

## Deal of the Week: Thoma Bravo Takes Ellie Mae Private for \$3.7B

Announcement Date	<ul style="list-style-type: none"> <li>February 12, 2019</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>Thoma Bravo LLC</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>A private equity firm focused on investing in the software and technology-enabled services sectors</li> <li>Founded in 1980 with offices located in Chicago, IL and San Francisco, CA</li> </ul>	
Target Company	<ul style="list-style-type: none"> <li>Ellie Mae, Inc. (NYSE: ELLI)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Provides cloud-based platforms for the mortgage finance industry in the United States</li> <li>Provides support for all steps of the mortgage process, including origination, credit check, processing, underwriting, funding, closing, and compliance</li> <li>Founded in 1997 and headquartered in Pleasanton, CA</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$3.5 billion</li> <li>EV: \$3.1 billion</li> <li>LTM Revenue: \$480.3 million</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$82.1 million</li> <li>LTM EV / Revenue: 6.5x</li> <li>LTM EV / EBITDA: NM</li> </ul>
Acquirer Advisor	<ul style="list-style-type: none"> <li>Jefferies</li> </ul>	
Target Advisor	<ul style="list-style-type: none"> <li>J.P. Morgan</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>\$3.7 billion</li> </ul>	<ul style="list-style-type: none"> <li>Cash</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>With its end-to-end service, Ellie Mae counts 2,300-plus lenders as customers, and its network is around a quarter-million users strong. The stickiness of their business, which is embedded in banks, credit unions and online originators systems, means customer retention rates exceed 95%</li> <li>Over the long run, Ellie Mae's positioning has won major market share; from 2013 to the present its revenues have quadrupled while the national mortgage volumes have peaked at around \$2 trillion annually. Recurring revenues are growing at a 40% annualized rate</li> <li>Even as the mortgage market slumped in the fall of 2018, Ellie Mae posted quarterly double-digit growth rate of 15%</li> <li>Ellie Mae's stock dropped from \$114 to \$59 from June to December 2018 as investors reacted to the slowing housing market due to increased interest rates. Therefore, a \$99 purchase price looked attractive to shareholders and management</li> <li>"Ellie Mae delivers powerful and innovative mortgage technology solutions across every channel of the residential mortgage sector, enabling lenders to originate more loans while reducing costs and driving efficiency, quality and compliance throughout the mortgage process," Thoma Bravo managing partner Holden Spaht said in a statement</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>Ellie Mae shareholders will receive \$99.00 in cash per share</li> <li>The price per share represents a 47% premium to the 30-day average closing share price and 49% premium to the 60-day average closing price as of February 1, 2019. However, it should be noted that the \$99 purchase price represents a 15% discount to the company's mid-year high</li> </ul>	
Points of Interest	<ul style="list-style-type: none"> <li>Thoma Bravo's \$3.7 billion agreement to buy Ellie Mae marks the third proposed multibillion-dollar software deal this year. In each case, the buyer has been one or more private equity firms</li> </ul>	