

Deal of the Week: Twilio to Buy Segment for \$3.2B

Announcement Date	<ul style="list-style-type: none"> October 12, 2020 	
Acquirer	<ul style="list-style-type: none"> Twilio, Inc. (NYSE: TWLO) 	
Acquirer Description	<ul style="list-style-type: none"> Provides a cloud communications platform that enables developers to build, scale, and operate communications within software applications in the United States and internationally. Its customer engagement platform provides a set of application programming interfaces that handle the higher level communication logic needed for nearly every type of customer engagement, as well as enable developers to embed voice, messaging, and video capabilities into their applications Founded in 2008 and headquartered in San Francisco, CA 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$43.8 billion EV: \$42.6 billion LTM Revenue: \$1.4 billion 	<ul style="list-style-type: none"> LTM EBITDA: (\$260.4) million LTM EV / Revenue: 30.4x LTM EV / EBITDA: NM
Target Company	<ul style="list-style-type: none"> Segment (Private) 	
Target Description	<ul style="list-style-type: none"> Customer data platform that makes accessible reliable data through standardized data collection, unified user records, and routing this data into any system where it is needed. The end goal is to use this information for marketing and other applications that benefit from customer identification and segmentation More than 20,000 companies like Intuit, FOX, Instacart, and Levi's use Segment to make real-time decisions, accelerate growth, and deliver compelling user experiences Founded in 2011 and headquartered in San Francisco, CA 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap and EV: NA LTM Revenue and EBITDA: NA 	<ul style="list-style-type: none"> LTM EV / Revenue: NA LTM EV / EBITDA: NA
Acquirer Advisor	<ul style="list-style-type: none"> Morgan Stanley 	
Target Advisor	<ul style="list-style-type: none"> Qatalyst Partners 	
Price / Consideration	<ul style="list-style-type: none"> \$3.2 billion 	<ul style="list-style-type: none"> Stock
Rationale	<ul style="list-style-type: none"> Twilio's Solutions business segment continues to further focus on applications in marketing, customer service and customer identity. Segment currently has some 20,000 customers using its platform to "collect, clean and control" customer data. Twilio views this acquisition as a part of its natural evolution Acquiring Segment could also bring more customers to the Twilio platform, opening the door to upselling those customers with other services Twilio offers. And given Segment's stated focus on providing better tools to handle customer data more responsibly, in an environment where awareness and breaches of this area is only growing by the day, it gives Twilio a much stronger product set to speak to that need Essentially, Twilio's focus on customer service and Segment's focus on customer experience will provide synergies because one of the major by-products of communications is data, and companies will be looking for better ways of linking up the creation of it, with the repurposing/use of it. In other words, the two complement each other The transaction will accelerate Twilio's growth with a combined total addressable market of \$79 billion "Data silos destroy great customer experiences," said Jeff Lawson, co-founder and CEO of Twilio. "Segment lets developers and companies break down those silos and build a complete picture of their customer. Combined with Twilio's Customer Engagement Platform, we can create more personalized, timely and impactful engagement across customer service, marketing, analytics, product and sales." 	
Deal Points	<ul style="list-style-type: none"> Twilio will acquire Segment for approximately \$3.2 billion in Twilio Class A stock, and Segment will become a division of Twilio 	
Of Note	<ul style="list-style-type: none"> The Segment deal is Twilio's second major acquisition. It acquired SendGrid, which offers companies a cloud-based service for sending emails at a large scale, for \$2 billion in February 2018 	