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Signaling an End to an Era

By Michael Quinn & Jan Ebelt / 9.21.18

Vonage adds more “Tools to the Toolbox” and Potentially Further Distances itself from BroadSoft-Cisco

Vonage unveiled its largest acquisition to date, acquiring NewVoiceMedia for \$350M in cash. NewVoiceMedia presents a dynamic new edge to Vonage’s already extensive CPaaS, UCaaS, and managed video offerings with its cloud-based contact center solutions and further extends Vonage’s client base with an additional 700+ mid-market and enterprise customers. The purchase price represents a 3.8x multiple on expected 2019 revenue, with projected synergies from G&A savings and cross-selling of \$10M by year-end 2019, according to Vonage’s press release.

Vonage’s M&A strategy is based on its reported 2014 goal of becoming the clear frontrunner in cloud communications for business. This acquisition, including several others before it, highlights the Company’s attempt to diversify its offerings, adeptly using its cash to offer a full managed solution, including UCaaS, CPaaS, and now contact center, that is more comprehensive than any of its competitors. Two notable acquisitions in addition to its 2016 acquisition of CPaaS provider Nexmo, were TokBox on August 1st of this year and that of Vocalocity in 2013. The \$25M acquisition of TokBox, a programmable video provider allowing businesses to include live video on their websites, apps, and IoT devices and the \$130M buyout of Vocalocity, a private SaaS provider offering communications solutions to SMB, have considerably grown Vonage’s addressable market.

The more interesting angle of the NewVoiceMedia acquisition is that it further distances Vonage from the BroadSoft-Cisco ecosystem. At the beginning of 2017, Vonage announced a renewed focus on Vonage Business (formerly Vocalocity) and our belief is that this will be Vonage’s primary UCaaS platform in the future, integrating both Nexmo, TokBox, and the NewVoiceMedia contact center platform. What will be interesting to watch is whether Vonage will cap its BroadSoft license purchases and/or migrate existing customers to Vonage Business. Q Advisors’ view is that this trend away from dependence on the BroadSoft platform will continue to accelerate, particularly amongst midsize companies who may transition to proprietary or alternative solutions.

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About Q Advisors

Q Advisors LLC (www.qllc.com) is a world-class global boutique investment bank formed in 2001 serving public and private companies, PE firms, entrepreneurs and large multi-nationals in the telecom, media, and technology (TMT) sectors. The firm has extensive, global reach, while also providing the personalized service of a boutique advisory firm. Thanks to our partners and senior staff, who come from leading investment banks and operating companies, we leverage extensive industry knowledge and analytical insights to help our clients achieve successful M&A and capital markets transactions.

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Michael Quinn, founding partner of Q Advisors, brings a unique and highly valuable background to telecom, media, and technology (TMT) investment banking that combines finance, hands on M&A experience, and law. With more than 25 years of international operations and investment banking experience in the telecommunications industry, Michael has originated, structured, and executed more than 100 deals totaling more than \$4 billion in transaction value. Michael's deep industry expertise and extensive transaction experience has enabled him to lead M&A and debt and equity financings in a variety of TMT sectors including Cloud and managed services, competitive wireline telecom, wireless, digital media, social networking, mobile content, satellite and mobile infrastructure and solutions.

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Jan Ebelt joined Q Advisors in 2018 and has been working with the team on mergers and acquisitions and strategic advisory assignments for clients across the telecom, media, and technology (TMT) industries.