

PE Hub

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PE DEALS

Why Vista has closed five take-private deals in less than two years

Michael Fosnaugh discusses the Model N deal and Vista's strategy.

Vista Equity Partners closed the acquisition of Model N for approximately \$1.25 billion in June, marking the Austin-based PE firm's fifth take-private deal in less than two years. Based in San Mateo, California, Model N develops revenue optimization and compliance software for companies in the pharmaceutical, medtech and technology sectors. To find out more about Model N and Vista's strategy, PE Hub turned to Michael Fosnaugh, senior managing director and co-head of Vista's flagship fund.

Why is Vista doing more take-private tech deals these days?

We've seen an uptick in take-private transactions over the past two years as sponsors seek opportunities to acquire great companies at reasonable valuations, and boards and executive leadership teams seek certainty in what has been a volatile market for most public technology businesses beyond the so-called "Magnificent 7." Many companies that may have fallen out of favor during the correction are seeing underlying fundamentals improve but continue to trade at attractive entry points.

Vista has been especially active in the public markets during this period. In fact, since October of 2022, Vista has completed five take-privates – Avalara, KnowBe4, Duck Creek Technologies, EngageSmart and now Model N. Combined, these



Michael Fosnaugh, Vista Equity Partners

transactions represent over \$20 billion in total enterprise value for five leading enterprise software companies serving a diverse range of end markets and customer segments.

Over roughly the same period, Vista has also realized several significant investments through sponsor-driven take-privates, such as the sales of Ping Identity in 2022 and Cvent in 2023. Most recently, we announced that our portfolio company PowerSchool reached an agreement to be taken private by Bain.

What drew Vista to Model N?

Model N provides cloud-based revenue optimization and compliance software to customers in the life sciences and

advanced technology industries. These are two highly innovative spaces with equally complex commercialization, sales, regulatory and supply chain processes.

Model N's core offerings help customers drive and automate mission-critical revenue activities such as pricing, quoting, regulatory compliance, rebates and incentive management, in many cases effectively serving as a "system of record" for critical contracting decisions. The business' software is trusted by customers across 120 countries, including many leading pharmaceutical, medical technology and semiconductor manufacturers.

What can Model N do as a private company that it couldn't do as a public company?

As a private company, Model N can take a longer-term view of its business without catering to the demands of public market investors and focus on making the organic and inorganic investments needed to achieve sustainable growth. The quarter-to-quarter pressures of the public markets can shift a company's focus to the near term, which may come at the expense of investing in the business in ways that will benefit it over the long term. There is a reason why software companies are staying private for longer, and we have seen an increased demand to work with an experienced, operationally focused capital partner in a private setting.



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What are Vista's plans for growing Model N?

A core element of our investment thesis includes in-depth analysis of how we believe Vista's operational expertise can add value. With Model N, we see a tangible opportunity to do so through operational improvements aligned with our proprietary best practices – specifically as they pertain to go-to-market motion, product and technology, and business operations. We do also see significant white space to add value through a disciplined add-on acquisition strategy to expand its core capabilities and drive product innovation.

What's driving growth for Model N's offerings?

The continued fast pace of innovation and growth in the pharmaceutical and high-tech industries. There has been a parallel rise in demand for new pharmaceutical products and treatment options, as well as the advanced semiconductors fueling the rise of generative AI. To be sure, these are two highly competitive and regulated industries, so we feel any software company offering solutions that help optimize revenue and comply with evolving regulatory requirements – as Model N does – will be well positioned to capitalize on these trends.

How does Model N fit into Vista's portfolio?

We've been investing behind the broader themes of revenue management and other software solutions for sales and marketing functions for some time, but perhaps the most vital characteristic we look for in our investments is mission-criticality. That is the core consistency across Vista's diverse portfolio of enterprise software businesses.

Model N also has a similar profile to Duck Creek Technologies, another vertically focused software provider that Vista took private in 2023. Like Duck Creek, Model N has a strong financial profile and excellent customer retention underpinned by high-ROI, mission-critical software solutions that serve historically defensive and durable end markets.