

PE Hub

By: Obey Martin Manayiti
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PE DEALS

Exit interview: Vista discusses \$4.6bn sale of Apptio to IBM

'It is difficult to understate the complexity facing organizations as they navigate the ongoing digital transformation,' said Vista's Nadeem Syed.

As companies navigate the complexities of digital transformation, a new breed of cloud-based software known as technology business management (TBM) has emerged, and Apptio has been a pioneer. Vista Equity Partners acquired Apptio in 2019 in a \$2 billion take-private deal, and announced on June 26 that it is selling Apptio to IBM for \$4.6 billion.

PE Hub caught up with Nadeem Syed, senior managing director and head of value creation at Austin-based Vista. Syed, who sits on the board of Apptio, discussed how the Bellevue, Washington-based software developer flourished under the PE firm's control, with revenue doubling and Ebitda margins increasing by 4x.

Q Why and how has the CIO's job gotten more difficult in recent years, and how do Apptio's offerings help?

Apptio offers a market-leading software platform to help businesses maximize the value of their technology investments. Software and technology have dramatically changed the way the world does business, and it is difficult to understate the complexity facing organizations as they navigate the ongoing digital transformation. On top of that, the covid pandemic accelerated everything, resulting in the wide-scale adoption of cloud computing. Apptio provides mission-critical tools that help optimize



Nadeem Syed, Vista Equity Partners

IT spend, manage cloud expenses across hybrid and multi-cloud environments, and implement effective financial operations and monitoring tools.

Q Since the acquisition in 2019, what opportunities were attractive in growing Apptio?

Apptio has a terrific co-founder and CEO in Sunny Gupta. Vista looks to invest in category-defining businesses, and Sunny and his team pioneered technology business management (TBM) software. But what makes Sunny unique is his relentless drive to continue improving, innovating and problem-solving. When we took Apptio private in 2019, the company had a single product called ApptioOne. We've

since worked with Sunny and his team to expand and diversify Apptio's platform, which significantly grew the company's total addressable market and opened new go-to-market channels.

Q What role did add-ons play in Apptio's growth?

We acquired Cloudbility in 2019, SaaSLicense in 2020, 7Park and TargetProcess in 2021 and Cloudwiry in 2022. Although I can't go into further specifics, a well-executed M&A strategy was a key element of our value creation plan to transform Apptio from a single product to a comprehensive IT financial planning platform.

Cloudbility proved to be a particularly complementary fit that provided strategic exposure to and enhanced capabilities for the fast-growing public cloud and hybrid market.

Q In terms of organic growth, what was your focus?

We focused on introducing new product offerings, broadening channel relationships with strategic partners, developing new go-to-market motions and buyer personas, and strengthening customer service to help drive additional product usage and expansion. Apptio had approximately 440 customers when we took the company private in 2019, and today they serve more than 60 percent of the Fortune 100.

As was the case with Apptio, we often

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find that companies choose to partner with Vista for what we're able to offer beyond capital, namely through our value creation team. We provide our companies access to proprietary best practices, operating executives and subject matter experts with experience across areas such as product and technology excellence, go-to-market strategy, talent leadership and business operations optimization.

If we have learned anything over the past few years, execution and our ability to adapt plans to changing circumstances and market dynamics is critical. That is why we have made significant efforts to incorporate the full breadth of our value creation team's expertise throughout the entire lifecycle of our investments, including in our due diligence and underwriting processes.

Q What is Vista's exit strategy in today's challenging environment?

This transaction is a prime example of Vista's investment discipline and focus on value creation. Our focus has never been "growth at all costs." Instead, our conviction is that if you invest in great

companies, at the right prices, with the support of a purpose-built system designed to build better business practices that drive profitable growth, you will create optionality in any environment.

Since November 30, 2021, Vista has completed or signed 18 monetization events across full and partial exits, recapitalizations, block sales and a follow-on offering. Across these events, Vista has generated \$18 billion in total value, including monetizations of \$14.3 billion, including co-investments, and \$3.7 billion in unrealized value still to be captured.

Q How does the Apptio exit symbolize your investment thesis?

Our investment thesis was that Apptio was well-positioned to build a comprehensive platform for companies to manage their technology investments and digital transformation effectively. We believe we achieved that here, and we are incredibly excited and humbled to have played a key part in Sunny and Apptio's journey to this point.

Vista has become synonymous with

our proprietary value creation best practices. Founders and management teams recognize that our value creation infrastructure is a competitive advantage, and many of our recent exits, including Cvent and Ping Identity, have been founder-led businesses.

Q Do you plan on making more investments in tools that help the CIO's job?

That's an interesting question. In many respects, the emergence and criticality of the CIO role has been driven by the rapid growth of the enterprise software sector. What I'd say is that our investment approach is predicated on enterprise software and its expansive role in the global business economy, which benefits employees from the C-suite to the front lines. That is also why we continue to believe that investing in companies bringing enterprise software solutions to market remains the best use of capital anywhere in the financial markets.

For more on private equity's big appetite for enterprise software deals, see our April feature on the topic. ■