

## CASE STUDY: INFOBIP

November 2020

In September 2020, Unigestion Direct II invested in Infobip through a USD 200m pre-IPO first equity raise led by One Equity Partners (OEP) with terms that confer significant downside protection. Infobip is a closely-held, profitable business in a high-growth, B2B technology services sector underpinned by increasing demand for effective customer messaging and online security solutions.

This case study provides an insight into our direct private equity investment strategy and approach. It illustrates the typical characteristics of companies in which we invest and how we aim to create value.

### About Infobip

Infobip is a leading communication platform as a service (CPaaS) company that delivers secure customer engagement applications to major enterprises, enabling them to manage and execute customer communications.

For example, Infobip's platform allows banks and financial services firms to send "one time passcode" SMS's to clients in order to authenticate secure access to online accounts. In addition, since the COVID-19 crisis, Infobip has enabled food delivery service providers to meet increasing demand using messaging services.

Core services include "Transactional" communications such as alerts, notifications, authentication and marketing, delivered through both application-to-person (A2P) and person-to-application (P2A) channels. These include SMS, voice, RCS, email and chat applications. Infobip has also launched "Conversational" services, including human-to-human and human-to-bot communication solutions.

Since it was founded in 2006, Infobip has expanded organically to become a leading global CPaaS company. Today, the company has 2,400 employees in 60 offices globally serving over 9,500 corporate clients with the capacity to reach 7bn mobile devices in 190 countries.

### Why did Unigestion choose to invest in Infobip?

Unigestion targets investments in resilient companies with superior value propositions, strong management teams and attractive financial metrics. A key criteria for evaluating a potential investment in a company is whether it fits one of our investment themes, as detailed in Figure 1. In this case, Infobip meets the criteria of our "Safety and Security" and "Services Efficiency" themes. In particular, the company benefits from the increasing demand for cybersecurity and technology-enabled business services.

The company's core market, CPaaS, is a fast-growing market, expected to grow by up to 2.5 times (20% CAGR) to reach USD 38bn by 2023. Applications around SMS communication are expanding in response to increasing adoption from traditional, non-technology-led sectors such as banks. However, new communication channels such as WhatsApp, Viber, Facebook Messenger and RCS in particular also represent significant growth opportunities.



## infobip



**Investment Date**  
September 2020



**Strategy**  
Buy and build /  
Internationalisation

- ▶ Within our direct investments, we target companies which fit one of our nine investment themes.
- ▶ Infobip enables its customers to manage and execute secure customer communications, such as account access authentication, and thus fits both our "Safety and Security" and "Services Efficiency" themes.
- ▶ Together with our investment partner, we aim to grow the business organically and through selective acquisitions in the US in order to drive gross margin growth by (i) increasing market share in a large and profitable market and (ii) acquiring additional higher margin channel capabilities.



Figure 1: Private Equity Themes, Drivers and Impacted Sectors

THEMES	DRIVERS	SECTORS IMPACTED
1 <b>Future of work</b>	Automation, labour substitution, flexible work, ageing workforce	Education and e-learning, re-skilling, increased connectivity
2 <b>Healthcare system reengineered</b>	More participants in the system driven by ageing and increased quality of healthcare	Medtech, biotech, healthcare services
3 <b>Responsible consumption</b>	Policies and penalties, customer demands, resource scarcity, climate change, air quality	Agriculture, farming, waste management, recycling
4 <b>Personal wellbeing</b>	Increased demand for financial services and pension planning, need for personal interaction in the digitalising world	Fintech, new pension financing solutions, leisure & entertainment
5 <b>Urbanisation</b>	Migration towards urban areas driven by economic transformation, shifting lifestyles, reallocation of free time	Infrastructure upgrade and development (physical and IT), smart cities/homes
6 <b>Converging security &amp; safety</b>	Increased pressure to protect systems—both operational technology and information technology to prevent cyber breaches and physical attacks	Transportation, utilities, financial services, IT, healthcare
7 <b>Resource efficiency</b>	Scarce human, natural and capital resources	Industry 4.0, process efficiency, block chain, IoT, big data analytics
8 <b>Localisation of supply</b>	Drawbacks of globalisation, shift towards local production capitalising on global knowledge	Open-source business models, reorganisation of global supply chains, consumption of local products/goods
9 <b>Sustainable, eco-friendly products and technologies</b>	Climate change, scarce natural resources	Clean tech, energy efficiency, technologies enabling more output with less input, waste management

Source: Unigestion, November 2020.

Infobip has an advanced and truly global CPaaS offering with the single largest market share (3.5%) for its core market and leadership in the highest growth markets (Asia, LATAM, Africa). It has the widest connectivity reach with direct access to more than 600 operator connections, a complete, omni-channel CPaaS offering supported by its own infrastructure and hosted on a private cloud, and 28 data centres. Its technology edge is maintained by an 850-strong engineering team.

Thanks to the exceptional leadership of its management team and founders, Infobip's growth has outpaced the CPaaS market with a 48% revenue CAGR over the last 10 years. Management has led the firm to profitability and global scale with no equity fundraising to date and only EUR 20m net debt outstanding at the closing of our investment. The founders, who will remain majority owners in the business, are committed to lead the business towards an IPO in the next three years.

### Did the COVID-19 crisis impact the fundamentals of this transaction?

Infobip's performance has accelerated this year in the wake of the crisis. Travel and hospitality, the two sectors most heavily impacted by the crisis, account for just 0.5% of revenue, while 67% comes from telecom and tech industries, 9% from logistics and 7% from financial services. The firm was therefore able to weather the crisis well thanks to the strong non-cyclical tilt of its customer base.

Furthermore, we have seen a clear acceleration<sup>1</sup> in the digitalisation of client communication strategies. Technology-enabled businesses have been fast adopters of digital communication channels but traditional sectors with slower adoption rates have had to adapt quickly to meet the growing need for remote client engagement. We believe this trend will continue as a tailwind for Infobip.

<sup>1</sup> <https://www.twilio.com/covid-19-digital-engagement-report>



## How do you plan to create value in this investment?

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Our investment proceeds will be used primarily to fund M&A opportunities in the US which will drive gross margin growth by increasing market share in the largest and most profitable CPaaS market in the world and by acquiring additional higher margin channel capabilities.

Infobip's core addressable market remains fragmented, presenting a range of accretive M&A opportunities. OEP is in active discussions with potential M&A target companies with two opportunities already sourced and one in live negotiations. Indeed, shortly after our investment, the company has already announced its acquisition of OpenMarket from Amdocs for USD 300m. OpenMarket is the leading provider of automated SMS solutions in the US.

The transaction with OEP, Unigestion and other co-investors is the first round of institutional investment and the three founders (who previously owned 100% of equity) are aligned with investors, having taken only EUR 10m cash out. Moreover, deal terms confer significant downside protection: Infobip is valued at a material discount to its peer group while Unigestion's equity position in the capital stack is senior to management's shareholding.

Infobip's stated goal is to list on either the NYSE or NASDAQ in the next three years. This will enable it to continue growing through highly accretive M&A post-IPO. Other exit options include a trade sale to a public competitor – Twilio, currently valued at USD 30bn, has made 10 acquisitions since 2017 – or a sale to a large cap PE sponsor.

## Why did Unigestion choose to co-invest with OEP?

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OEP is a US private equity firm with over USD 6bn in assets under management and a particular focus on mid-market industrial, healthcare and technology sectors in North America and Europe. OEP has a proven track record in transformative 'buy-and-build' private equity transactions in the technology-enabled business services space, thus Infobip's M&A strategy in the US is well aligned with OEP's core competence.

Unigestion has a strong relationship with OEP, having invested in two of their programs to date as well as two previous co-investments. Unigestion was therefore offered a 'first look' to invest into Infobip alongside OEP.

"We are delighted to invest alongside OEP in Infobip's first capital raise. A founder-led, self-funded business, it now has a global footprint in the high-growth CPaaS market where demand for more connected customer engagement is accelerating. Investors and management have a shared vision to further Infobip's pre-IPO growth both organically and by acquisition."

**Michael Toedtli**  
Senior Vice President,  
Private Equity



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