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M&A Alert—January 9, 2017

Atlassian acquires project management software provider Trello for \$425 million.

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Target:



Buyer:



Transaction Size: \$425mm

Transaction Overview

On January 9, 2017, Atlassian (NasdaqGS:TEAM) announced an **agreement to acquire** project management service Trello for \$425 million.

Target Description

Trello offers its personal, workgroup and enterprise clients a collaborative web and mobile-based application that helps teams and individuals stay organized and communicate on projects. Trello provides a virtual bulletin board where various lists of tasks can be created, organized, tracked and completed for different projects by different teams. Each task is represented by a card, which themselves can contain checklists, images, attachments, deadline dates, colored labels, and discussion notes from others who share the board. Its simple but

efficient “Kanban” interface has become impressively popular as Trello’s user base passed 1 million daily active users last year while reaching 19 million total registered users. Trello’s users include a wide range of clientele from small businesses to large enterprise clients such as Google, John Deere, Kickstarter, PayPal, Pixar, and the Red Cross. Its competitors include its biggest rival Asana plus Basecamp, LiquidPlanner, Microsoft Project, Planview, Workfront, and Wrike. Trello also integrates with apps such as Slack for team communications.

The New York-based company was founded within Fog Creek Software in 2011 before being spun-out in 2014. Upon spin-out, Fog Creek co-founder, Michael Pryor, became Trello’s CEO and the company received \$10.3 million in funding from Box Group (Adam Rothenberg, David Tisch), Index Ventures, and Spark Capital (Bijan Sabet).

Buyer Description

Atlassian is a leading provider of collaboration, development, and issue tracking software for teams, particularly strong in the software development world. Atlassian provides four main products: JIRA, Confluence, HipChat and Bitbucket. JIRA enables product management teams to plan, track, and manage activities and projects; Confluence is a social content platform, which is used to create, share, and discuss content on the Web; HipChat provides teams a way to communicate in real-time and share ideas, updates, code, and files; and Bitbucket is a code management and collaboration product for teams using distributed version control systems. The Sydney-based company has over 50,000 global customers including 85 of the Fortune 100. Over the past two years Atlassian has been acquisitive, buying Trello, StatusPage, Hall and BlueJimp.

Atlassian has a market capitalization of \$5.4 billion. It has LTM revenues of \$492 million.

Transaction Parameters

Atlassian is acquiring Trello for \$425 million, of which \$360 million will be paid in cash and the remainder in stock.

Transaction Value: \$425M

TEV / Invested Capital 41.1x

Comparable transactions include Cisco’s acquisitions of Worklife in October of 2016 (undisclosed) and Acano in November of 2015 for \$700M (28x 2014 revenue), Synacor’s

acquisition of Zimbra in August of 2015 for \$24.5M, and Microsoft's acquisition of Wunderlist in June of 2015 for between \$100M-\$200M (4.2x-8.4x invested capital).

Strategic Rationale

Adding Trello helps Atlassian expand beyond their core strength in product development groups and more into general business teams. More than 50 percent of Trello's users work in non-technical functions such as sales, marketing, finance legal and HR according to the Atlassian [press release](#).

Atlassian clearly intends to cross-sell Trello to its 68,000+ SMB and enterprise customers. Trello is a freemium app but, at \$10/month for the first paid tier, it can potentially spell a significant bump in annual revenues for Atlassian. And conversely, Trello users can be upsold to JIRA, Atlassian's more full-featured product management application.

The acquisition also helps Atlassian add a new product line as it is beginning to see crowded competition among its other offerings. Its Hipchat communication product competes most notably with Slack but increasingly more and more with communication products by Microsoft (Skype), Salesforce, Google (Hangouts) and even Facebook. Confluence competes with Google's G Suite, Microsoft and Salesforce's new acquisition, Quip.

Architect Partners' Observations

Larger companies such as Microsoft, Cisco, Salesforce and SAP are interested in the collaboration arena because this is one of the fastest-growing enterprise application software segments. Gartner estimates that sales in the collaboration, web conference and social software market were \$4.7 billion last year and are expected to grow to \$7 billion in 2020.

At \$425 million, this transaction was clearly at a premium valuation, particularly if Trello revenues were only around \$10 million (Atlassian expects Trello to add \$3mm to their Q2 2017 revenues, and expects the acquisition to still be dilutive in 2018 according to its latest [earnings press release](#)). But competitor Asana raised \$50 million last year at a \$600 million valuation. And more than for current revenues, Atlassian was willing to pay up for Trello's 19 million registered users and 1 million daily active users.