Permira Private Equity and Canada Pension Plan Take Informatica Private

Informatica agrees to be acquired for $5.3 billion

Author: Andreas Bitterer

Publication: 9 April 2015

Abstract

In a surprising move, Informatica Corporation, a publicly traded and market-leading provider of data integration, data quality and master data management solutions agreed to be acquired by two private equity firms that will take the vendor private.

BARCresponse

Event

Permira Private Equity and the Canada Pension Plan Investment Board have announced that they will acquire data integration and master data management solution provider Informatica for $5.3 billion. The transaction is subject to shareholder approval and is expected to be completed in the second or third quarter of 2015.

Analysis

This acquisition supports an emerging trend whereby private equity firms are setting their sights on the business intelligence and data management markets and keep buying established vendors. The latest buyout was announced by London-based private equity firm Permira and the Canada Pension Plan Investment Board (CPPIB). The two investors have agreed to take over the well-known and publicly traded Informatica Corporation (NASDAQ: INFA) for the whopping sum of $5.3 billion or $48.75 per share, an uplift of about 10% over the more recent stock price.

This rather expensive takeover follows other recent acquisitions and large investments of software vendors by private equity funds, most notably last year's large buyout of Tibco, which was taken private for $4.3 billion in December by Vista Equity Partners, the more recent March 2015 purchase of Arcplan by Marlin Private Equity, and the 2014 financing of 75M USD by British private equity firm Warburg Pincus into predictive analytics specialist BlueYonder.

By the looks of it, Informatica did not want to be bought, but found itself targeted by corporate raiders. After the Elliott Management hedge fund disclosed an 8% stake in Informatica in January 2015 and pressured the Informatica management into increasing shareholder value, the vendor reportedly tried to fend off the hedge fund with the help of financial advisors.

The billion dollar question is: What are the private equity firms going to do with Informatica long-term? Waiting for some random stock price increase, after the stock has traded largely sideways for many years, is not likely. Selling off Informatica products piece by piece with a big uplift, for example, the cloud business, the MDM or data quality units, after the vendor has carefully assembled its portfolio over the last few years, would not make any sense and essentially destroy Informatica. And as a final option, after holding it for a number of years, taking Informatica public again, because a buyer isn't anywhere in sight. Which takes us back to square one. The usual suspects, companies with deep pockets and an acquisition tradition such as IBM, Oracle, or SAP, don't need Informatica's products, as their portfolio already includes data integration, data quality and MDM products, often from other acquisitions. For those firms, it would be largely a purchasing of market share and customer base, as well as boosting revenues, but a ticket price of $5B+ is probably prohibitive. Other firms that could potentially and strategically benefit from Informatica's product set are Amazon or HP, but neither has in any way communicated interest to enter the data middleware software space.

Related Research Documents

The following BARC and CXP Group research complements this document:

Marlin Equity Acquires Arcplan, Carsten Bange, Andreas Bitterer, 7 April 2015

Trends in BI and DM, Carsten Bange, Andreas Bitterer, et al, April 2015

**Business Application Research Center –
A CXP Group Company**

Central Europe

Berliner Platz 7
97080 Würzburg
Germany

+49 931 880651-0

www.barc.de

Rest of the World

+44 1536 772 451

www.barc-research.com