



Evolve
Capital Partners

Finance & Technology Market Update

Q3:2020 Issue

Financial Technology



Tech IPO Window Reopens | Mortgage Tech Spotlight |
SaaS & Mission-Critical Software Spotlight

**SPECIALIZED INVESTMENT BANKERS AT
THE INTERSECTION OF FINANCE & TECHNOLOGY**

Table of Contents

1. Executive Summary	3
2. Overview of Evolve	5
3. Industry Landscape	9
Tech IPO Window Reopens	10
Mortgage Tech Spotlight	19
SaaS & Mission-Critical Software Spotlight	27
4. Deal Activity in the Sectors Evaluated	29
5. Public Comparables	32





1. Executive Summary

Executive Summary

Summary of Evolve's Q3:2020 Newsletter

SUMMARY

- Our newsletter provides insight into the financial technology capital markets. We offer a snapshot of market activity and a detailed analysis of trends.
- This edition focuses on [the revival of the IPO markets](#), with tech IPOs looking to be promising. However, with the unfavorable COVID-19 situation, the IPO window may be a tight one.
- In particular, [we dive deeper into the Mortgage / Real Estate Tech and SaaS IPO outlook](#). Highlighted companies include [Quicken Loans](#), [DocMagic](#) and [nCino](#).
 - We chart the evolution of mortgage/real estate-related legal reform over the past decade, highlighting how technology have adapted to these developments.
 - We also spotlight the strategies in which SaaS firms can achieve high customer retention rates, while pointing out sectors that can benefit from companies that want to reduce their dependency on SaaS solutions.

KEY OBSERVATIONS



IPO Markets

- With the volatile market conditions associated with COVID-19, IPO markets were off to a challenging start to 2020.
- **IPO markets have recovered in Q2:2020, driven by tech IPOs.**
 - [nCino's IPO](#) raised \$248 million, while stock price tripled at its peak.
 - [Rocket Loan's upcoming IPO](#) has been highly anticipated, given that the company is a market leader in mortgage lending and the first major mortgage tech company to IPO.
- However, the opportunity to IPO may be narrowing due to the COVID-19 situation getting more challenging in recent months.
- Looking ahead, Ant Group is planning to raise around \$30 billion, at a \$200 billion valuation. This is set to be the largest IPO globally to date.



Mortgage/ Real Estate Tech IPO

- **Non-bank mortgage lenders continue to gain market share amid historically low mortgage rates.**
 - The growth of Rocket Loans has been phenomenal, from 0.8% market share in 2008 to a market-leading 8.7% in H1:2020. Its IPO is one of the most highly anticipated issues this year.
- The mortgage and real estate sector has transformed extensively in recent years, due to post-financial crisis regulatory changes and the continued expansion of tech companies like mortgage regtech-focused [DocMagic](#).



Enterprise Software/ SaaS IPO

- **Enterprise Software continues to outperform major market indexes, registering 26.2% gains this year as of July 31, 2020.** This sets the stage for SaaS companies preparing to IPO in upcoming months.
- Most SaaS companies are highly successful in the markets because they generate recurring revenue, as their clients get locked-in for various reasons.



2. Overview of Evolve

Evolve Capital Partners Overview

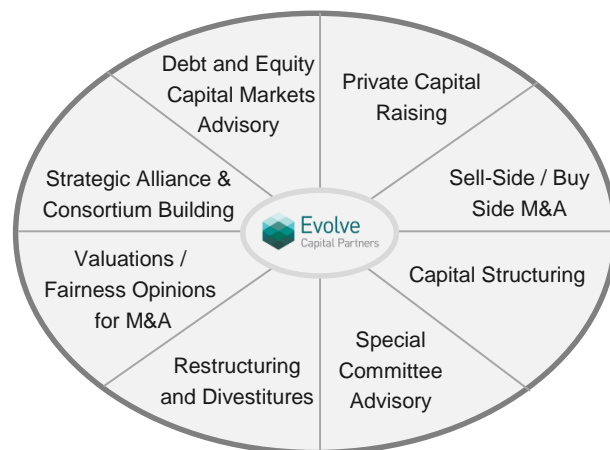
We Focus Exclusively On Finance and Technology-Related Firms

ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY, the financial capital of the world. Our location provides unparalleled access to numerous strategic and financial partners who participate in and shape the sector.
- Since inception, we have completed dozens of transactions with aggregate values approaching \$1 billion. Professionals at our firm have advised on over \$3 billion of M&A and financing transactions globally.



Our Services



**In-Depth Industry
Research Reports**

**Quarterly FinTech
Market Analysis**

**FinTech M&A / Financing
Transaction Profiles**

FINANCIAL ADVISORY SERVICES

- We are a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We produce industry-leading research on transaction trends across the Finance and Technology sector.
- Few investment banks have transaction experience across both corporate and asset finance.



Our Clients

- Corporations
- Management Teams
- Venture Capital & Private Equity Funds
- Independent Directors / Boards



Industry Focus

- We are exclusively focused on Finance and Technology firms

BPO
IoT
B2B

Specialty Finance
Enterprise Software
Analytics

Payments
Lending
Insurance Tech

Securities
Financial Services
Financial Management

Fintech Coverage Universe

We Focus Exclusively On Finance And Technology-Related Firms

Enterprise Software / Data & Analytics



Insurance



Financial Management Solutions



BPO



Specialty Finance / Alternative Lending



Healthcare Tech



M&A Advisory

- Sales / Recaps
- Acquisitions
- Divestiture
- Strategic Advisory

Financing

- Private Placements
- Debt Capital
- Restructuring

Securities



Payments



Bank Technology Solutions



Fintech Coverage Universe

Our Finance and Technology Sector Coverage Details

Enterprise Software / Data & Analytics

- Analytics Software Solutions
- Consumer IoT
- Enterprise Software
- Outsourced Analytics Solutions

Bank Technology Solutions

- Blockchain
- Core Processing
- Credit Scoring / Data
- Mortgage / Real Estate Tech
- Software Solutions / Services

Financial Management Solutions

- Accounting / Expenses
- Business Analytics
- Enterprise Management
- Human Capital Management

BPO

- Customer Experience
- Healthcare Industry
- HR / Payroll
- IT / Consulting
- Operations

Specialty Finance / Alternative Lending

- Consumer Lending
- Commercial Lending
- Online Lending
- Collections / Servicing
- Leasing
- Mortgage & Related

Healthcare Tech

- Core Solutions
- Health Insurance Solutions
- Healthcare IT / Analytics
- Medical Bill Servicing

Securities

- Asset Managers
- Alternative Trading Systems & Market Makers
- Diversified FIS
- Exchanges
- Financial Content Providers
- Online Brokers
- Outsourced Financial Solutions
- Software & Solutions
- Brokerage
- Investment Banks
- Investment Management

Insurance

- Title Insurance
- Traditional / Life Insurance
- Multi-Line Insurance
- P&C Specialty
- Data & Analytics Solutions
- Insurance Brokers
- Online Platforms
- P&C Insurance
- Benefits Administrators
- Software Solutions

Payments

- Payments Core Banking
- Payment Infrastructure
- POS Products
- Networks
- Prepaid / Money Transfer
- Payment Processing
- Closed Payment Network
- eCommerce / Internet Payments

3. Industry Landscape

US IPO Activity Faced Headwinds in Q1:2020

Tech IPO Window Reopens; Mortgage Tech Spotlight; SaaS & Mission-Critical Software Spotlight

DIFFICULT START TO THE YEAR FOR COMPANIES WITH IPO PLANS

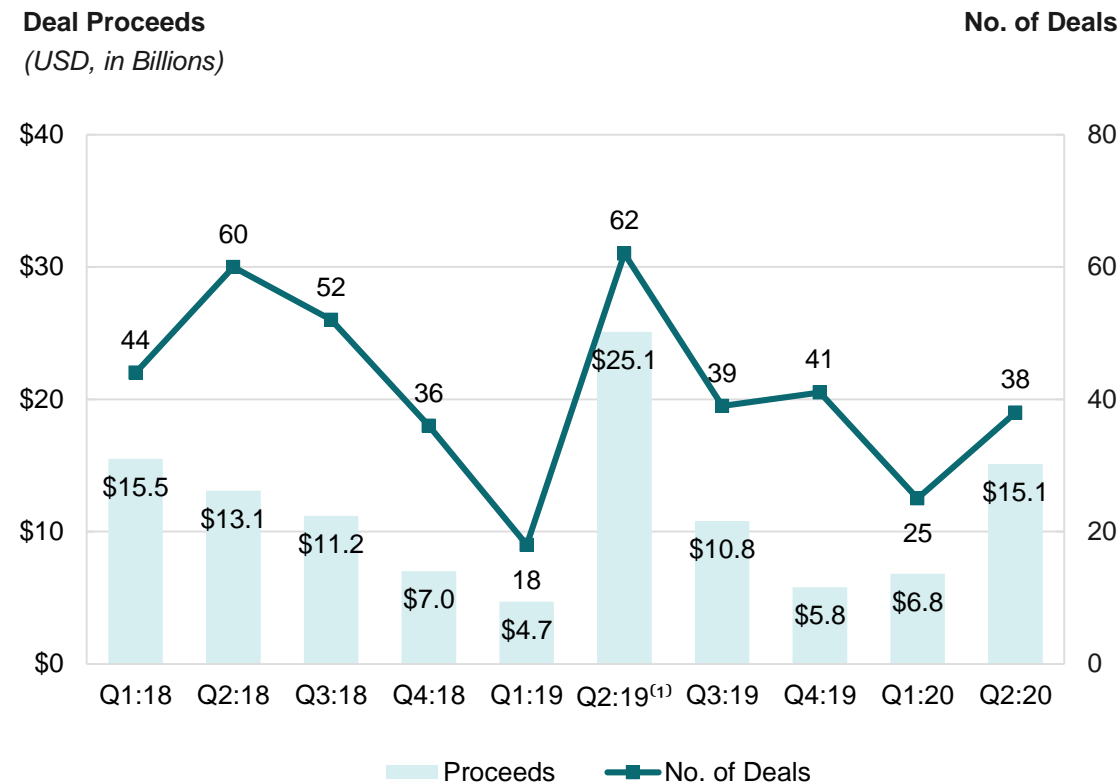
- **Uncertainty from the COVID-19 pandemic has created volatile market conditions, which have been unfavorable for IPOs.**
 - US IPO activity declined in Q1:2020, with major IPOs in the medical sector.
 - 2020 is likely to be the least active year for IPOs in three years.
- **A new wave of IPOs emerged in Q2:2020, taking advantage of pent-up investor demand, stimulus measures by the government and early signs of job growth recovery.**
 - Government measures such as the \$2 trillion stimulus bill, including \$660 billion PPP loans for SMEs, has helped improve unemployment rates since May.
 - IPO proceeds in Q2:2020 doubled from the previous quarter.

Key IPO Highlights in Q1:2020, Dominated by Medical Sector



Source(s): Renaissance Capital, CB Insights.

US IPO Activity Recovers in Q2:2020 from Previous Quarter



Note: (1) IPOs include Uber and Tradeweb, which raised \$8.1 billion and \$1.1 billion respectively
Data includes IPOs with a market cap exceeding \$50mm, excluding direct listings, closed-end funds and SPACs.

Tech IPO Opens for Business in Q2:2020

Tech IPO Window Reopens; Mortgage Tech Spotlight; SaaS & Mission-Critical Software Spotlight

HEALTHY IPO ACTIVITY IN Q2:2020, MAY BE HAMPERED BY COVID-19

- **ZoomInfo has led the current wave of SaaS IPOs.**
 - First major SaaS IPO this year, since Bill.com's IPO in December 2019.
 - Company raised \$935 million in the IPO, the best performing tech IPO this year.
 - Healthy demand for tech IPOs, with a couple of companies tripling in price at their peak.
- **Quicken Loan's upcoming IPO will set the pace for Mortgage Tech companies to IPO.**
 - As a pioneer and leader in the Mortgage Tech sector, it is expected to command a high multiple with valuation in the tens of billions.
 - LoanDepot could be in a position to IPO, which they attempted in 2015 in a targeted valuation of \$2.6 billion.
- **However, the IPO window may be narrowing soon amid a worsening COVID-19 situation.**
 - With an accelerating number of cases, many states are ramping up distancing measures that will lead to further closing of the economy.
 - GDP declined steeply in Q2:2020, while unemployment recovery may stall.
 - However, this IPO window could be extended due to the planned second stimulus bill. The Federal Reserve's continued purchase of financial assets, which has exceeded \$4 trillion since February, could also help to extend this window.
- **Market volatility and uncertainty may result in IPO mispricing, but this window could be the best chance to go public this year.**
- Most anticipated tech IPOs:

Quicken Loans

snowflake

rackspace

MARQETA

affirm

asana

COMPASS

GitLab

Source(s): Media Reports.

Strong Surge in Demand for Tech IPOs from Q2:2020

Date	Company	Sector	IPO Value (\$B)	IPO Price	Peak Price ⁽¹⁾	% Growth ⁽²⁾ (Peak v. IPO)	IPO Proceeds (\$mm)
7/15/20	jamf	Enterprise Solutions	\$3.0	\$26	\$51	+96%	\$468
7/15/20	GoHealth	Insurance	\$6.7	\$21	\$26	+24%	\$914
7/14/20	Incino	Bank Tech /Solutions	\$3.0	\$31	\$92	+197%	\$248
7/2/20	Lemonade	Insurance	\$1.6	\$29	\$97	+234%	\$319
7/2/20	Accolade	Healthcare Tech	\$1.2	\$22	\$37	+68%	\$220
6/26/20	agora	Enterprise Solutions	\$2.2	\$20	\$68	+240%	\$350
6/4/20	zoominfo	Enterprise Solutions	\$8.2	\$21	\$64	+205%	\$935
6/4/20	Shift4 Payments	Payments	\$1.9	\$23	\$48	+109%	\$345
5/21/20	SELECTQUOTE	Insurance	\$3.2	\$20	\$29	+45%	\$570
5/8/20	Kingsoft Cloud	Enterprise Solutions	\$3.7	\$17	\$43	+153%	\$510

Note: (1) Peak price as of July 29, 2020. (2) % Growth is the percentage increase in IPO price at its peak.

Ant Group Prepares for IPO; Promising IPO Outlook for 2H:2020

Tech IPO Window Reopens; Mortgage Tech Spotlight; SaaS & Mission-Critical Software Spotlight



Planned IPO amount: \$30 billion

















Company Details

- Ant Group announced its IPO on July 20, 2020, with plans for a dual listing in Hong Kong and Shanghai. **With a reportedly \$200 billion target valuation, this is set to be the largest IPO in history.**
- In recent years, there has been greater regulatory scrutiny of Chinese companies in the US, which may have contributed to the decision not to list in the US.
- The financial technology firm runs Alipay, China's dominant digital payment platform.
- The company was last valued in 2018 at \$150 billion.
- Predecessor company Alipay was rebranded to Ant Financial in 2014, then renamed to Ant Group in May 2020.
- Alipay was initially launched in 2004 by Alibaba Group founder Jack Ma.
- The company is headquartered in Hangzhou, China.

Source(s): Media Reports.

Notable Companies Expected to IPO in the US in 2020

S-1 Filing Date	Company	Sector	Description	Planned IPO Amount (\$mm)	Price Range
Under Preparation	 affirm	Payments	Point-of-Sale Lender	TBA	TBA
Under Preparation	 MARQETA	Enterprise Software	Project Management Platform	TBA	TBA
Under Preparation	 COMPASS	Securities	Real Estate Brokerage	TBA	TBA
Under Preparation	 GitLab	Enterprise Software	Open-Source, Code-Collaboration Platform	TBA	TBA
Under Preparation	 unity	Enterprise Software	Video Game Software Developer	TBA	TBA
Under Preparation	 CommerceHub	Enterprise Software	E-Commerce Technology Platform	TBA	TBA
7/10/2020	 rackspace	Enterprise Software	Multicloud Management Platform	\$754	\$21 to \$24
7/7/2020	 ROCKET Companies, Inc. Quicken Loans	Bank Tech /Solutions	Digital Mortgage Platform	\$3,300	\$20 to \$22
7/6/2020	 Palantir	Analytics Software Solutions	Big Data Analytics	\$961	TBA
6/16/2020	 FATHOM	Securities	Real Estate Brokerage	\$20	\$7 to \$9
6/9/2020	 snowflake	Enterprise Software	Cloud Data Platform	TBA	TBA
6/4/2020	 趣活	Enterprise Software	Workforce Operational Solution Platform in China	\$30	\$9 to \$11
2/3/2020	 asana	Enterprise Software	DevOps Platform	Direct Listing	NA
11/15/2019	 CDP	BPO	Human Capital Management Service Provider in China	\$125	\$15 to \$17

nCino IPO – Executive Summary

Initial Public Offering Overview – July 2020



NAS:NCNO



Description

- nCino is a financial technology company that offers cloud-based software for financial institutions.
- The company's SaaS-based bank operating system provides solutions for client onboarding, analytics, loan origination and deposit account opening applications.
- This end-to-end platform spans across business lines and is integrated with the core and transactional systems of banks.



Use of Proceeds

- The proceeds will go towards the redemption of Series A Preferred stock (\$274.2 million), repay second lien term loans (\$380.6 million) and repay first lien revolving credit (\$35 million) and other general corporate purposes.

Source(s): nCino 424B4 Filing.

Headquarters	Wilmington, NC
Founded	2012
Employees	934
Trading Date	7/14/2020
Lead Underwriters	BofA Securities, Barclays, Keybank Capital Markets and SunTrust Robinson Humphrey
Issue Price	\$31.00
Shares Offered	7.6 million
Gross Proceeds	\$248 million

nCino IPO – Recent Price Movement

Market Data

Upon listing, nCino’s stock price peaked at almost \$92. However, the massive initial volume thinned out, leading to the price stabilizing in a range just above the listing price of \$71.

Price is Stabilizing at \$70+ While Volume Declined Heavily Since Listing Date

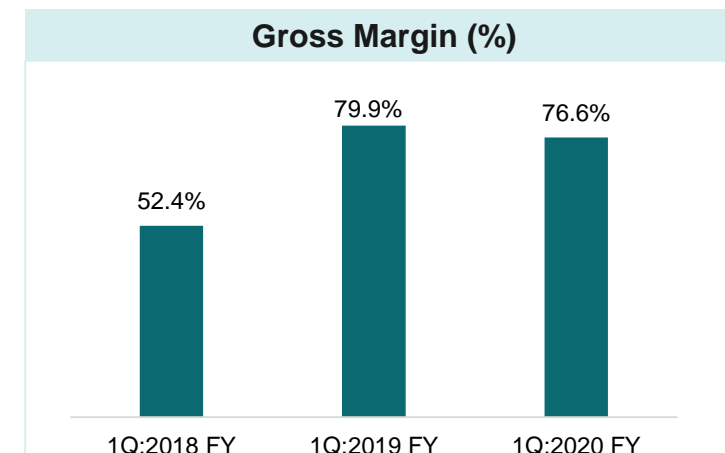
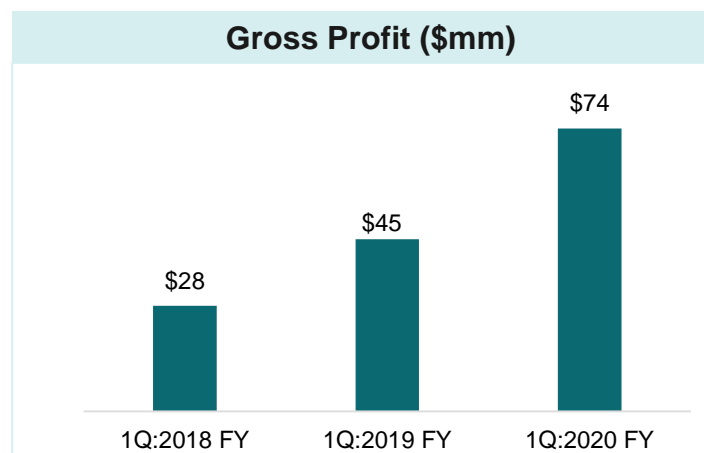
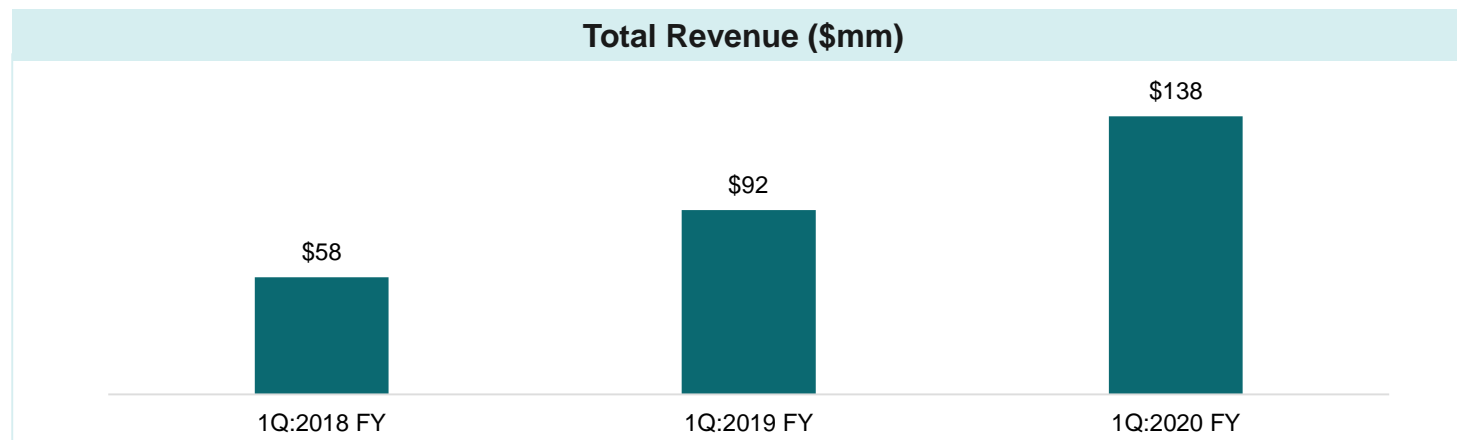


Source(s): Nasdaq..

nCino IPO – Executive Summary

Key Metrics

Shares Offered through the IPO	7.6 million
Issue Price	\$31.00
Total Shares Outstanding after the IPO	89.2 million
Market Value at Listing Price ⁽¹⁾	\$6.4 billion
Enterprise Value at Listing Price ⁽²⁾	\$6.3 billion
EV / Revenue ⁽³⁾	45.7x
Trading Date	7/14/2020
Listing Price	\$71.00
Listing Premium	\$40.00



Source(s): Pitchbook, Media Reports, nCino 424B4 Filing.

(1) Market Value has been calculated as Listing Price x Total Shares Outstanding after the IPO.

(2) Enterprise Value = calculated Market Value at Listing Price + preferred equity + debt - cash as of January 31, 2020.

(3) EV / Revenue calculated based on EV at listing price and revenue in 1Q:2020 FY.

nCino IPO – Executive Summary

Company Overview



Overview

- nCino is a financial technology company that strives to transform banking services through combination of innovation, speed, and reputation
- The company's key product is a single platform for onboarding of customers, loan origination, including other associated processes.
- In November 2019, the company launched nCino IQ, an AI bank automating system as an expansion to its platform. The automated system helps to monitor risk, measure performance and can extract data more easily.
- The company spun off from a bank in 2011, introducing its first commercial product in 2014.
- The company works with more than 1,100 financial institutions globally, with asset sizes that range from \$30 million to \$2 trillion.

Key Clients:



nCino's Bank Operating System Solutions



Commercial Banking
Solution



SME Banking
Solution



Retail Banking
Solution



Mortgage



Portfolio Analytics



Cash Management
Sales & Onboarding
Solution



Customer
Engagement
Solution



Asset Finance &
Leasing Solution

Source(s): nCino 424B4 Filing. Company Website. Media reports.

nCino IPO – Executive Summary

Management Team

Key Executives

Biography



Pierre Naudé
President, CEO & Director

- Pierre Naudé has served as CEO and member of the board of directors at nCino since the founding of the company.
- From 2005 to 2012, he served as the Divisional President of S1 Corporation.
- Prior to that, he was VP and Managing Partner at Unisys.
- Pierre holds a Bachelor of Science in Finance and Management from Upper Iowa University.



Sean Desmond
Chief Customer Success Officer

- Sean Desmond has served as Chief Customer Success Officer of nCino since July 2013.
- From February 1999 to June 2013, he held various positions at Informatica, an enterprise cloud data management provider. His most recent position in the company was Vice President of Global Delivery.
- Sean holds a Bachelor of Business Administration from James Madison University.







Joshua Glover
Chief Revenue Officer

- Joshua Glover has served as Chief Revenue Officer of nCino since February 2019.
- From February 2017 to February 2019, he served as Executive Vice President, Americas at the company.
- From December 2014 to January 2017, he served as Senior Vice President, Community and Regional Financial Institutions.
- Prior to joining nCino in 2012, he served as Relationship Manager at Live Oak Bank.
- Joshua is a graduate of the U.S. Naval Academy and holds a Master of Business Administration from Duke University's Fuqua School of Business.

Source(s): nCino 424B4 Filing, Company Website.

nCino IPO – Executive Summary

Financing History

Date	Transaction Type	Amount (\$mm)	Key Investors
9/30/2019	Later Stage VC	\$80	T.RowePrice 
1/30/2018	Later Stage VC	\$52	 ventures
6/6/2016	Early Stage VC	\$16	
2/24/2015	Series B	\$29	
2/11/2014	Early Stage VC	\$11	WELLINGTON MANAGEMENT®
2013	Angel & Series A	\$18	Eugene Ludwig (Managing Partner at Canapi Ventures)

Source(s): Pitchbook.

Coming of Age for Mortgage Tech

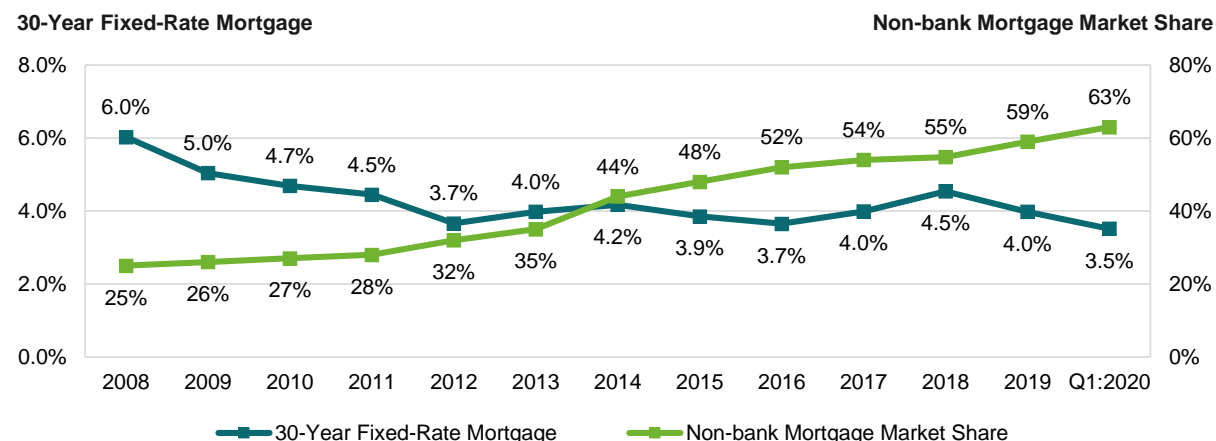
Tech IPO Window Reopens; **Mortgage Tech Spotlight**; SaaS & Mission-Critical Software Spotlight

BROAD MARKET OVERVIEW OF MORTGAGE TECH

- **The \$2 trillion mortgage industry is highly fragmented, with previous leader Wells Fargo taking only 25% of the market (at its peak in 2012), even with decades of experience.**
 - Each state/region has their own regulations, which poses key challenges for growth.
- Non-banks, especially Mortgage Tech types, will continue to grow their market share in the foreseeable future, as banks continue to play catch-up.
 - Non-banks grew their market share from 25% in 2008 to 63% in Q1:2020.
 - Non-banks rarely hold onto mortgage loans and sell these off to investors, so they don't need a lot of capital to operate. In comparison, banks typically hold some in their portfolios.
 - With post-2008 capital requirements, banks may continue to look for better profit margins outside of the mortgage sector
 - **Decreasing Fed rates has contributed to historically low mortgage rates of sub-3% in Q3:2020 and could continue to fuel the growth of non-bank mortgage tech platforms such as Quicken Loans.** 73% of Quicken's origination volume comes from home refinancing.
- Mortgage tech activity remains high due to continued trends of consolidation.
 - Lender Spotlight was acquired by Canadian mortgage tech firm LenDesk in September 2019.
- **Quicken Loans' upcoming IPO has the potential to be 'category-defining' for Mortgage Tech,** like how Salesforce pioneered the SaaS model.
 - The company first came into prominence in 2016 with the launch of Rocket Loans, its online loan product and was the first of its kind.

Non-Banks Grow Market Share Amid Low Mortgage Rates

MORTGAGE RATES AND NON-BANK MORTGAGE MARKET SHARE (2008 – Q1:2020)



Key Non-bank Mortgage Tech Companies



2019 Mortgage Origination Volume (USD) and Year-over-Year Growth

Source(s): Mortgage rates from Freddie Mac, Non-bank market share from Mortgage Banker's Association (2008-2017) and Inside Mortgage Finance (after 2017). Press Reports.

Strong Growth Prospects for Mortgage Tech

Tech IPO Window Reopens; **Mortgage Tech Spotlight**; SaaS & Mission-Critical Software Spotlight

QUICKEN LOANS LEADS THE MORTGAGE LENDING INDUSTRY

- **Despite regulatory complexities, current leader Quicken Loans has achieved impressive growth over the past decade, growing its share from 0.8% in 2008 to 8.7% in H1:2020.**
 - In November 2015, the company introduced Rocket Loans, an end-to-end digital mortgage platform.
 - In 2019, revenues grew by 22% and net income grew by 46% year-over-year.
- A successful Quicken Loans IPO will raise public visibility of tech platforms in the mortgage sector, which can help drive adoption in the future.
 - IPO funds can go towards additional acquisition of mortgage lenders specializing in new markets, supercharging growth and consolidations in the space.
 - In the short term, the funds will add liquidity to its balance sheets to enhance its resiliency in the current COVID-19 pandemic.

Why Mortgage Tech?

Mortgage Tech offers the following advantages over traditional offerings:

#1 Time Savings

Use of mortgage tech platforms can **save up to 10 days** on average, down from 50 days, compared to traditional offerings.

#2 Improved Risk Management

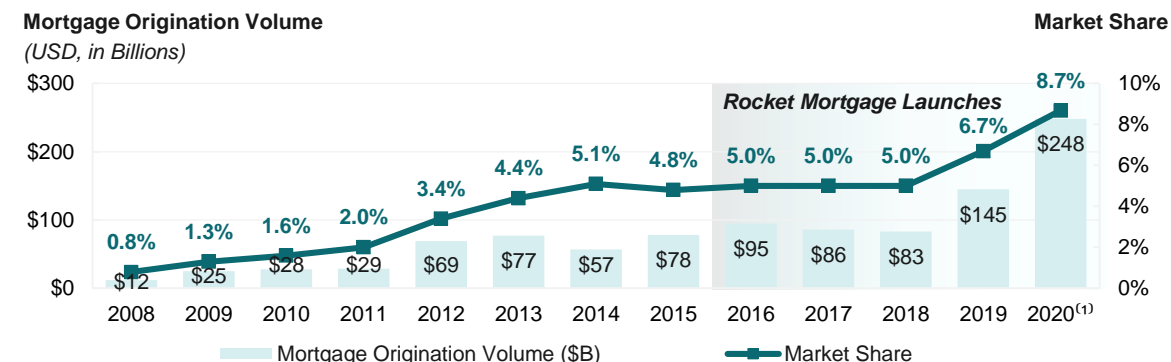
Mortgage tech **default rates are 25% lower** than those for traditional platforms.

#3 Higher Savings

Households in regions with access to mortgage tech lenders are **more likely to refinance and reduce interest payments.**

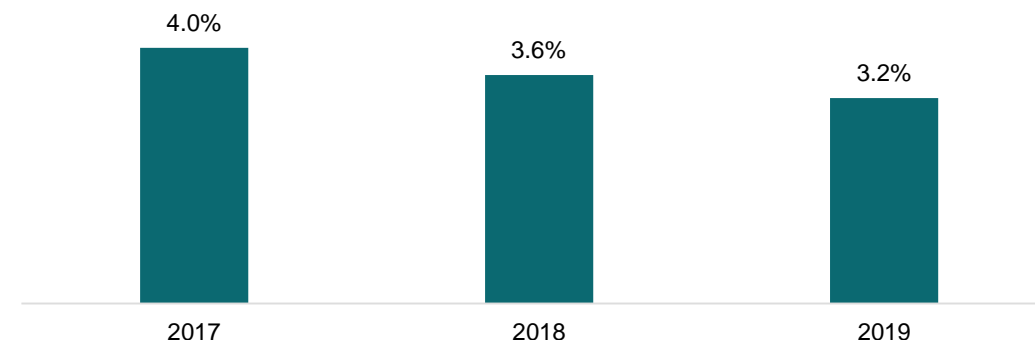
Rapid Growth Since the 2008 Financial Crisis

ORIGINATION VOLUME AND MARKET SHARE OF QUICKEN LOANS (2008 – 2020)



Note: (1) 2020 volume is annualized based on H1:2020.

GAIN ON SALE MARGIN (%)



Source(s): Quicken Loans S-1 Filing. Media Reports. "The Role of Technology in Mortgage Lending", 2019. 2020 market share and volume based on H1:2020.

Quicken Loans – Upcoming IPO

Case Study – August 2020

Quicken Loans IPO Overview



- Quicken Loans is the **largest mortgage lender in the US**, originating \$145 billion in loans last year. The firm has been buoyed recently by high refinance volumes due to low rates.
- The firm recently filed confidentially for an IPO that could come in the coming weeks.
- Quicken has already raised approximately \$1.5 billion in funds.
- **Digital & mobile origination is core to the firm's strategy**, and it is the largest online retail lender in the US, having launched Rocket Mortgage in 2016. It is often awarded the highest customer satisfaction rating among primary originators.
- The company was founded in 1985 and is based in Detroit, Michigan.

Products Offered

- Residential Mortgages (15- and 30-year fixed mortgages)
- Adjustable Rate Mortgage (ARM) loans
- FHA Loans
- VA Loans
- Mortgage refinance
- Home Equity refinance



Source(s): Pitchbook, Capital IQ, Press Releases, FT.com.

Financing & Transaction History

- Founded in 1985 as Rock Financial, the firm grew quickly until it launched an IPO in 1998, raising \$33 million.
- One year later, the firm was acquired by Intuit. It would later be purchased again through a buyout by the original founders in 2003 for \$64 million.
- Also in 1999, the firm pivoted from a branch-centered strategy to online-focused lending, positioning the company for strong future growth.
- The firm raised \$1.25 billion of senior debt financing in 2015 by a slew of Private Equity buyers.
- **Quicken has invested in a slew of technology-focused mortgage lenders in the US**, including LenDesk Technologies and One Reverse Mortgage.

Transaction Details

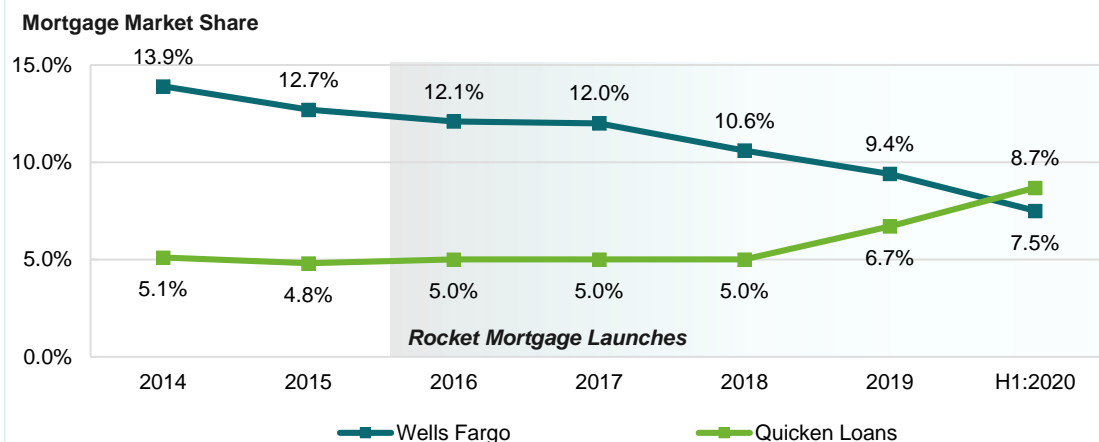
- **The capital raise is expected to provide Quicken with liquidity in an uncertain economic environment**, as millions of homeowners skip their payments and forbearance rates skyrocket.
- According to experts, the IPO could place Quicken at a valuation range in the “tens of billions.”
- As the largest mortgage lender in the United States, a successful market offering by Quicken this summer could open the IPO floodgates for others in the non-bank lending industry, which currently makes up more than half of the mortgage lending market.

Quicken Loans – Upcoming IPO

Case Study – August 2020

Quicken Loans Takes the Lead Just Before Going Public

TOP 2 LEADERS: MARKET SHARE OF MORTGAGE ORIGINATIONS (2014 – H1:2020)



Use of Proceeds

- The proceeds will go towards purchasing Holdings Units and shares of Class D common stock from Rock Holdings Inc., owned by the company's founder and chairman Dan Gilbert. The proceeds are not expected to be used for the growth of the company.



Key Details from IPO Filing



Increased client leads to 20.2 million in 2019, up 80% from 2014.



Closed 6.7 loans per month per average production team member in 2019, compared to the industry average of 2.3



Achieved a Net Promoter Score (measure of customer satisfaction) of 74 in 2019, compared to an industry average of 16.



Obtained refinancing retention rates of 76% in 2019, compared to the industry average of 22%.



Spent over \$900 million on marketing in 2019, with a total of \$5 billion since the company's inception.



79% of the combined voting power will go towards the founder and chairman Dan Gilbert.

Source(s): Quicken Loans S-1 Filing. Media Reports. Market Share of Wells Fargo based on industry mortgage origination volume from Mortgage Bankers Association. 2020 market share based on H1:2020.

Quicken Loans – Upcoming IPO

Case Study – August 2020

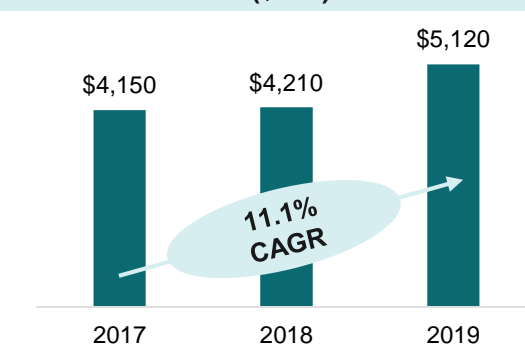
ROCKET COMPANIES REVEALS FINANCIALS IN S-1 FILING

- Quicken Loans is a subsidiary of Rocket Companies, which has filed for the IPO.
 - **According to the S-1 filing, total revenue for Rocket Companies in 2019 amount to \$5.1 billion, contributing to \$892 million of net income.**
- Although most of the originated mortgages are sold to Government-Sponsored Enterprises (GSEs), Rocket Companies continues to service these mortgages for GSEs.
 - In turn, GSEs packages the mortgages as mortgage-backed securities for sale to investors.
 - To fund principal and interest payments for people in forbearance, the company has been using prepayments and mortgage payoffs from other people not in forbearance.
 - However, there is a possibility that the company will need to dip into its cash reserves to fund the payments in the future.
- In 2019, Rocket Companies faced a decline of \$646 million in revenue from loan servicing, driven by changes in the fair value of Mortgage Servicing Rights (MSRs).
 - A decrease in mortgage rates leads to higher refinancing rates, with more borrowers paying off their mortgages early.
 - Revenue loss for this component is likely to become steeper at least through the first half of 2020, a consequence of the continued decrease in mortgage rates.
- **Overall, Rocket Companies' net income of \$892 million last year showed an improvement from 2018, up 46%. The CAGR rate for net income between 2017 and 2019 was 7.6%.**

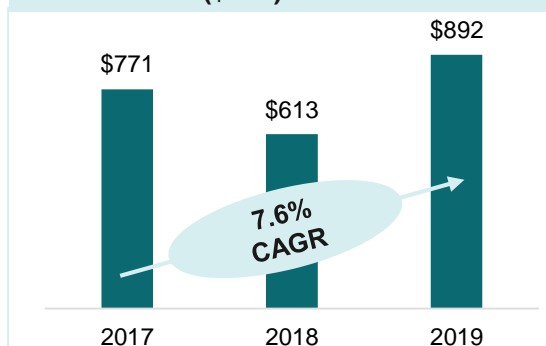
Source(s): Quicken Loans S-1 Filing.

ROCKET COMPANIES' FINANCIALS SHOW IMPRESSIVE GROWTH

TOTAL REVENUE (\$mm)



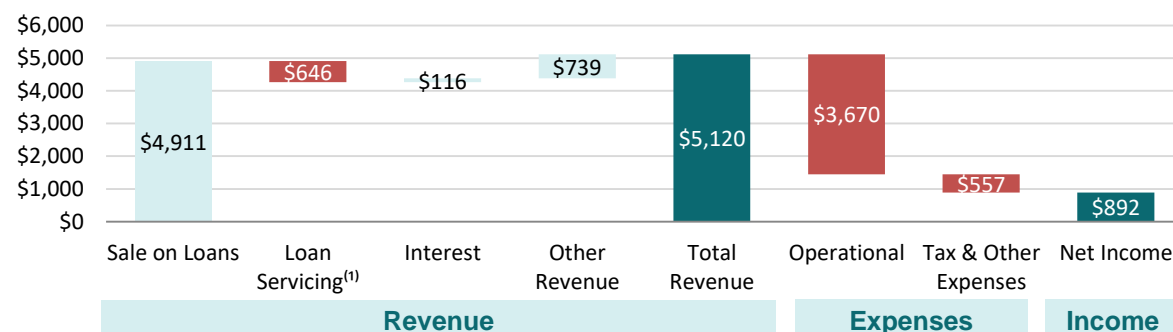
NET INCOME (\$mm)



2019 INCOME STATEMENT

Net Income Components

(USD, in Millions)



Note: (1) Loan Servicing revenue decreased due to changes in fair value of mortgage servicing rights, since low mortgage rates encourages loans to be paid off early.

Quicken Loans – Upcoming IPO

Case Study – August 2020



Venturing into the Canadian Mortgage Market

- Quicken Loans made its foray into the Canadian market, with a total of \$761 billion CAD (about \$550 billion USD) in mortgage origination opportunity.
- Two of the company’s recent investments were in Canadian companies: LenDesk, a loan origination platform and Edison Financial, a digital mortgage platform that will leverage LenDesk’s platforms.

EXPANSION OF THE ROCKET FAMILY



Rocket Homes
Home Sale & Search



Rocket Auto
Car Purchase



Rocket Loans
Personal Loans



Rock Connections
Sales & Support

CONTINUED GROWTH THROUGH STRATEGIC ACQUISITIONS & INVESTMENTS IN CANADA

2017

LowerMyBills.com

(Acquired)



(Acquired)

2018

FOR SALE BY OWNER

(Acquired)

2019

LENDESK

(Majority Stake Investment)

2020

EDISON
FINANCIAL

(Seed Investment)

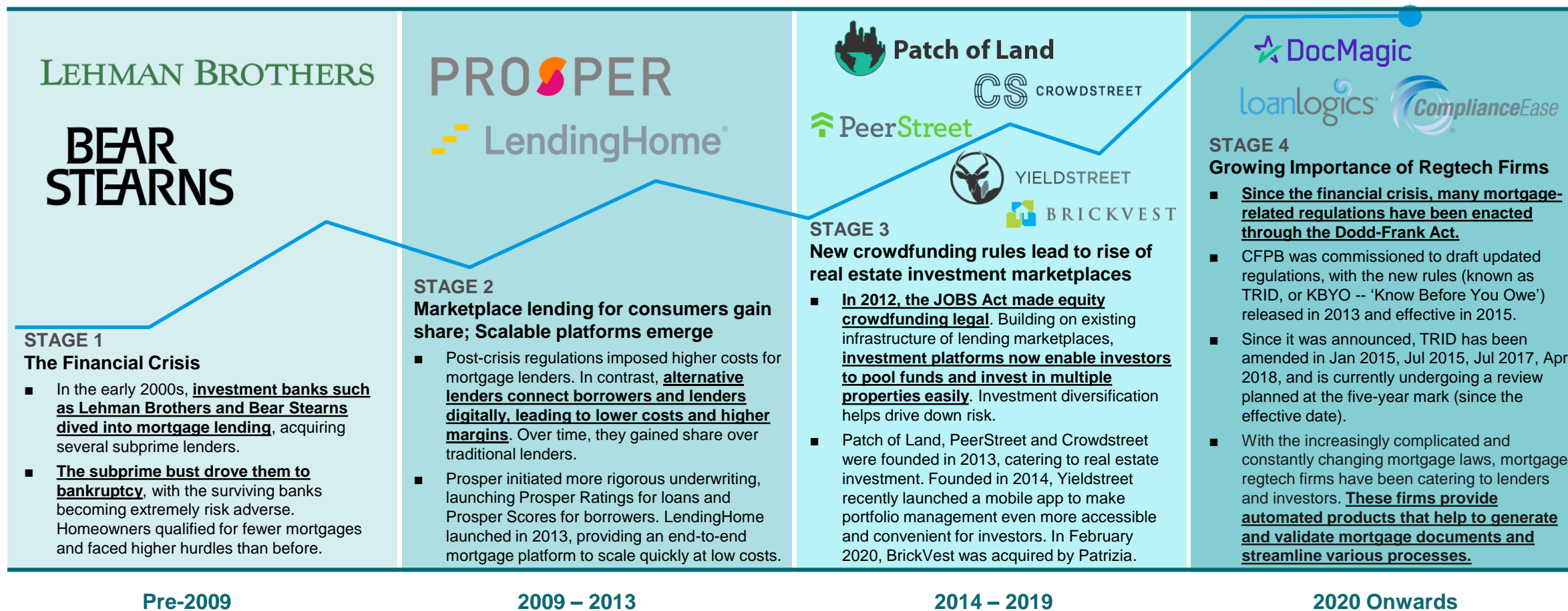
Investments into the Canadian Mortgage Market

Source(s): Quicken Loans S-1 Filing.

The Impact of Legal Reform on Real Estate / Mortgage Tech

Tech IPO Window Reopens; **Mortgage Tech Spotlight**; SaaS & Mission-Critical Software Spotlight

- Over the past decade, federal regulations have been shaping changes in the real estate / mortgage tech sectors.
- The ongoing assessment of mortgage laws will continue to benefit regtech firms that help to make the mortgage processes compliant and more efficient.



DocMagic – Case Study

Tech IPO Window Reopens; **Mortgage Tech Spotlight**; SaaS & Mission-Critical Software Spotlight



Description

DocMagic provides a loan documentation system for mortgage documents, compliance and other mortgage-related services. The system delivers customized loan documents that comply to state and federal regulations, supported by data validation and compliance audits. The company was founded in 1987, headquartered in Torrance, California with 110 employees.



Product Offerings

DocMagic offers the following products:

Document Solutions

- Document Generation
- Document Library
- Document Packages

Compliance Solutions

- Automated Audit Engine
- Compliance Advisory
- Compliance News & Alerts
- Investor e-Quality Control (eQC)

eSignature Solutions

- Secure eSignatures
- eNotary Integration
- eDelivery of Appraisals

Mobile Mortgage Tech

- LoanMagic mobile app for borrowers

eMortgage Tech

- End-to-End Digital eClosing Platform
- Collaborative Closing Platform for Lenders and Settlement Service Providers
- Document Review Platform
- eMortgage Data Storage and Management



Products Help with Mortgage Regulation Compliance



Federal & State Regulations



1968

Truth in Lending Act (TILA)



1974

Real Estate Settlement Procedures Act (RESPA)



High Cost / Predatory Lending Regulations



1994

Section 32: Home Ownership and Equity Protection Act (HOEPA)



2008

Mortgage Disclosure Improvement Act (MDIA)



2010

Ability to Repay & Qualified Mortgages (ATR/QM): Dodd-Frank Act



2013+

TILA / RESPA Integrated Disclosure (TRID) & Ongoing Amendments

Source(s): Company Website, ZoomInfo.

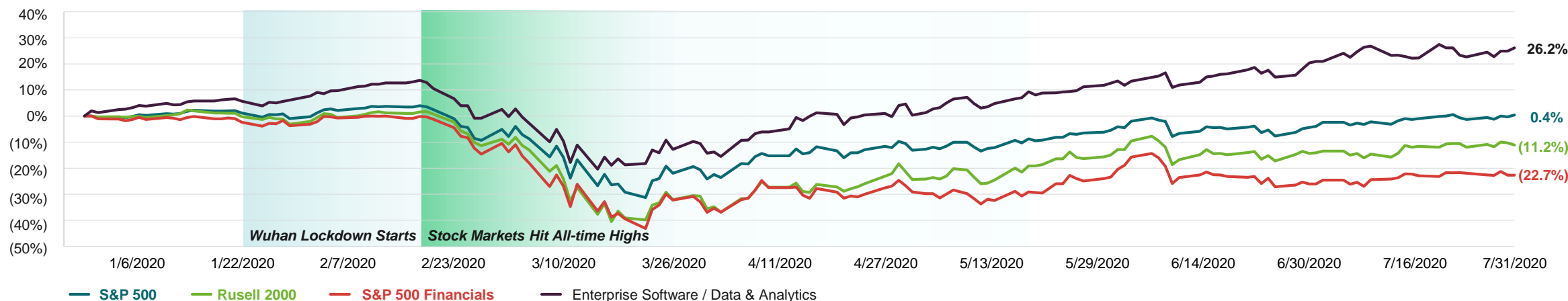
Next Wave for SaaS & Mission-Critical Software

Tech IPO Window Reopens; Mortgage Tech Spotlight; **SaaS & Mission-Critical Software Spotlight**

TAKING ADVANTAGE OF THE COVID-19 REMOTE WORK TRANSITION

- **Enterprise Software / Data Analytics continues to excel in prevailing COVID-19 market conditions, with stock prices of this sector growing by 26.2% in 2020⁽¹⁾.**
- Within this sector, companies providing SaaS & Mission-Critical software are expected to take advantage of the current IPO window.
 - Due to the remote work transition, the market for these products have grown substantially.
 - Docusign increased its customers by 30% in Q1:2020 year-on-year, while revenues grew by 39% in the same period.
 - Public companies like Zoom continue to command a high EV-to-Revenue (LTM) ratio of over 80x in recent weeks, boding well for the upcoming IPOs.

Stock Performance against Select Indices



Source: Pitchbook. Note: (1) As of July 31, 2020.

Highly Anticipated SaaS IPOs in 2020

Company	Sub-Sector	Product Type	Latest Valuation (\$B)
Palantir	Analytics Software Solutions	Big Data Analytics	\$20.3 (Nov 2016)
snowflake	Enterprise Software	Cloud Data Platform	\$12.4 (Feb 2020)
rackspace	Enterprise Software	Multicloud Management Platform	\$4.3 (Aug 2016)
GitLab	Enterprise Software	DevOps Platform	\$2.7 (Sep 2019)
asana	Enterprise Software	Project Management Platform	\$1.5 (Nov 2018)

SaaS Lock-In & Related Growth Opportunities

Tech IPO Window Reopens; Mortgage Tech Spotlight; **SaaS & Mission-Critical Software Spotlight**

LOCK-IN STRATEGY TO DRIVE LONG-TERM RECURRING REVENUE

- **The resilience of SaaS companies in the COVID-19 pandemic can be attributed to the nature of the services provided, where clients often find themselves locked into these services.**
 - **Contract-based strategies** lead to a sticky customer base with high retention rates.
 - **System-based strategies** take advantage of system architecture or features, making it hard for clients to switch to other service providers without facing significant disruptions.
- Containers and Multicloud Management Providers have emerged in recent years.
 - **The use of containers significantly simplifies app development and deployment, providing an option to reduce dependency on SaaS applications.** Companies will then have greater independence to work with multiple cloud providers.
 - Rancher Labs, a platform that manages container deployment, announced in July 2020 that the company has been acquired by software company Suse.

SaaS Vendor Lock-In Strategies



Auto-Renewal/
Long-Term
Contracts



Avoid or Delay
Renegotiation/
Discussion of
Exit Strategy



Taking Data
Hostage for
Leverage in
Negotiations



Provide Unique
Customization
to Increase
Stickiness



Ecosystem
Lock-In
(All-in-One
Services)

Sectors that Could Gain from Companies Finding Alternatives to SaaS Lock-In

Key Multicloud Management Platforms/Providers



Key Container Management Platforms/Providers
















4. Deal Activity in Sectors Evaluated

Deal Activity

Mortgage / Real Estate Tech | Enterprise Software / Data & Analytics

Highlighted Mortgage / Real Estate Tech Transactions











Date	Company	Acquirer / Investor	Type	Value (\$ mm)	Comments
7/7/2020	 LIVEOAK TECHNOLOGIES		M&A	\$38	<ul style="list-style-type: none"> LiveOak is a platform for virtual customer engagement to enable connection, engagement & seamless workflows. DocuSign will leverage LiveOak's expertise and technology to speed up the release of DocuSign Notary, a new product that focuses on remote online notarization.
6/5/2020	 PROPZY®	 SoftBank Ventures Asia  基匯資本 GAW CAPITAL	Series A	\$25	<ul style="list-style-type: none"> Propzy is a full-stack real estate platform in Vietnam that offers solutions for property sale/leasing and mortgage financing. SoftBank Ventures Asia highlights the economic security of Vietnam, while Gaw Capital mentions that the company's strong potential resides in the innovation of real estate's offline to online business models.
2/11/2020	 RentPath™	 CoStar Group™	M&A	\$588	<ul style="list-style-type: none"> RentPath is a digital real estate marketplace in the US. CoStar Group expects to generate synergies from the acquisition, with plans to invest in RentPath's online brands and traffic.
9/27/2019	 Lender Spotlight	 LENDESK	M&A	NA	<ul style="list-style-type: none"> Lender Spotlight provides Canadian mortgage brokers with a one-stop platform to access lender rates, policies and guidelines. The acquisition allows the company to gain insights from leading mortgage tech company Quicken Loans, which shares the same parent company as LenDesk.
7/30/2019	 COMPASS	 CPP INVESTMENT BOARD  DRAGONEER  日本ソフトバンクグループ株式会社 SoftBank Investment Advisers	Series G	\$370	<ul style="list-style-type: none"> Compass is a NY-based real estate platform that offers brokerage services. After the round, Compass was valued at \$6.4 billion and plans to further invest in cloud, mobile and AI tools to accelerate the growth of the company.

Source(s): Capital IQ, Press Releases

Deal Activity

Mortgage / Real Estate Tech | Enterprise Software / Data & Analytics

Highlighted Enterprise Software / Data & Analytics Transactions

Date	Company	Acquirer / Investor	Type	Value (\$ mm)	Comments
7/17/2020	 Routematch	 Uber	M&A	NA	<ul style="list-style-type: none"> Routematch provides software to public transit agencies to manage transportation data and services. Uber has recently begun offering SaaS solutions for public transit agencies, which will be strengthened through this acquisition.
7/14/2020	 Auth0	 salesforce ventures	Series F	\$120	<ul style="list-style-type: none"> Auth0 is an identity management SaaS platform. The company's expertise in end-to-end identity product matches well with Salesforce's Customer 360 platform. The round values the company at \$1.9 billion, with the investment used to "fuel continued innovation and go-to-market expansion."
7/8/2020	 RANCHER LABS	 SUSE	M&A	NA	<ul style="list-style-type: none"> Rancher Labs is a container orchestration platform, used to accelerate software development. Suse's global ecosystem and enterprise focus will accelerate the company's efforts in the use of cloud native technology.
6/4/2020	 spot	 NetApp	M&A	\$450	<ul style="list-style-type: none"> Spot.io is an Israeli company that specializes in cloud cost controls, helping to reduce public cloud compute and storage cloud expenses. The acquisition will help hybrid cloud data service provider NetApp expand its solution offerings and reduce cloud costs for their clients.
5/20/2020	 BetterCloud	 WARBURG PINCUS	Series F	\$75	<ul style="list-style-type: none"> BetterCloud is a SaaS platform for Operations Management (SaaSops), offering direct integrations with over 50 SaaS apps. The new capital will be used to accelerate product innovation.

Source(s): Capital IQ, Press Releases

5. Public Comparables

Public Trading Comparables

Mortgage / Real Estate Tech | Enterprise Software / Data & Analytics

(All figures in US Dollars. Figures in millions, except per share data, as of July 31, 2020)

Mortgage / Real Estate Tech

	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
					Revenue	EBITDA	Revenue:		Earnings LT	Gross	EBITDA	LTM	CY 2020	CY 2021	LTM	CY 2020	CY 2021
							CY 2020	CY 2021									
CoStar Group	\$849.76	90.5%	\$33,453	\$30,812	\$1,517	\$448	16%	19%	40%	80%	30%	20.3x	22.3x	18.8x	68.8x	61.2x	59.0x
Zillow Group	\$68.09	96.1%	\$15,089	\$14,807	\$3,415	(\$168)	80%	46%	NA	40%	(5%)	4.3x	6.2x	4.2x	NMF	NMF	NMF
Black Knight (US)	\$74.92	96.3%	\$11,766	\$13,335	\$1,185	\$528	7%	(1%)	9%	NA	45%	11.3x	11.2x	11.3x	25.3x	22.6x	23.1x
Fidelity National Financial	\$32.36	65.7%	\$9,676	\$11,524	\$8,359	\$1,243	1%	1%	13%	NA	15%	1.4x	1.5x	1.5x	9.3x	9.2x	15.1x
RealPage	\$63.01	90.3%	\$6,426	\$7,095	\$1,031	\$220	14%	16%	27%	56%	21%	6.9x	7.2x	6.2x	32.3x	25.3x	23.2x
CoreLogic	\$68.16	97.6%	\$5,416	\$6,942	\$1,806	\$493	(6%)	12%	22%	52%	27%	3.8x	4.1x	3.7x	14.1x	14.7x	11.7x
Redfin	\$41.58	92.9%	\$4,136	\$4,089	\$861	(\$60)	51%	13%	NA	18%	(7%)	4.8x	5.6x	4.9x	NMF	NMF	NMF
Real Matters	\$22.21	93.4%	\$1,875	\$1,778	\$439	\$60	(66%)	246%	NA	34%	14%	4.1x	19.3x	5.6x	29.9x	NMF	23.8x
Stewart Title Guaranty Company	\$41.95	95.0%	\$994	\$905	\$1,981	\$158	(3%)	8%	15%	NA	8%	0.5x	0.5x	0.5x	5.7x	7.4x	5.8x
Altisource Portfolio Solutions	\$13.43	57.0%	\$209	\$406	\$600	\$69	(24%)	(39%)	NA	23%	11%	0.7x	0.6x	1.0x	5.9x	7.0x	16.4x
MEAN							7%	32%	21%	43%	16%	5.8x	7.9x	5.8x	23.9x	21.1x	22.3x
MEDIAN							4%	13%	19%	40%	14%	4.2x	5.9x	4.6x	19.7x	14.7x	19.7x

LTM = Latest Twelve Months

Enterprise Value = (Market Value) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

NMF = Not meaningful

Source: Pitchbook, SEC filings

Public Trading Comparables

Mortgage / Real Estate Tech | Enterprise Software / Data & Analytics

(All figures in US Dollars. Figures in millions, except per share data, as of July 31, 2020)

Enterprise Software

	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
					Revenue	EBITDA	Revenue:		Earnings LT	Gross	EBITDA	LTM	CY 2020	CY 2021	LTM	CY 2020	CY 2021
							CY 2020	CY 2021									
Microsoft	\$205.01	94.7%	\$1,552,131	\$1,486,602	\$138,699	\$67,000	10%	13%	25%	68%	48%	10.7x	11.4x	10.1x	22.2x	26.7x	21.3x
Adobe Systems	\$444.32	94.4%	\$213,125	\$213,471	\$12,045	\$4,521	23%	14%	38%	86%	38%	17.7x	19.1x	16.8x	47.2x	42.8x	35.2x
SAP	\$158.82	95.9%	\$189,579	\$201,984	\$31,066	\$8,893	5%	9%	10%	70%	29%	6.5x	6.6x	6.0x	22.7x	19.8x	17.2x
Salesforce	\$194.85	96.1%	\$175,560	\$171,595	\$18,226	\$2,627	22%	23%	NA	75%	14%	9.4x	10.6x	8.6x	65.3x	41.6x	28.7x
Oracle	\$55.45	95.9%	\$170,158	\$199,341	\$39,068	\$16,499	0%	(2%)	11%	80%	42%	5.1x	5.0x	5.1x	12.1x	10.7x	10.7x
International Business Machines	\$122.94	77.4%	\$109,488	\$165,286	\$75,498	\$14,919	(3%)	(4%)	(10%)	48%	20%	2.2x	2.1x	2.2x	11.1x	9.1x	10.0x
VMware	\$140.21	80.0%	\$58,755	\$61,326	\$11,279	\$2,349	4%	15%	NA	83%	21%	5.4x	6.1x	5.3x	26.1x	15.9x	14.7x
Pegasystems	\$116.89	99.9%	\$9,400	\$9,450	\$986	(\$105)	4%	15%	NA	68%	(11%)	9.6x	10.2x	8.9x	NMF	NMF	NMF
Zuora	\$11.64	70.2%	\$1,349	\$1,253	\$286	(\$69)	17%	9%	NA	53%	(24%)	4.4x	4.6x	4.2x	NMF	NMF	NMF
MEAN							9%	10%	15%	70%	20%	7.9x	8.4x	7.5x	29.5x	23.8x	19.7x
MEDIAN							5%	13%	11%	70%	21%	6.5x	6.6x	6.0x	22.7x	19.8x	17.2x

LTM = Latest Twelve Months

Enterprise Value = (Market Value) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

NMF = Not meaningful

Source: Pitchbook, SEC filings

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