

Private Equity Vista and Evergreen to Acquire Citrix Systems for \$16.5B

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“This transaction provides our shareholders with significant immediate cash value. Moreover, this investment by Vista and Evergreen is a testament to the value Citrix has created and the reputation our team has built.” - Robert M. Calderoni, CEO of Citrix

Deal Overview

- Acquirer: Vista Equity Partners & Evergreen Coast Capital Corporation
- Target: Citrix Systems, Inc. (NASDAQ: CTXS)
- Industry: Cloud Computing, Virtualization Technology
- Transaction Amount: \$16.5B
- Announcement Date: Jan. 31, 2022
- Target Advisor: Qatalyst Partners

At the height of a turbulent period for public technology companies, Vista Equity Partners and Evergreen Coast Capital agreed to acquire Citrix

Systems (NASDAQ: CTXS) for \$16.5B, a leader in cloud computing and virtualization technology. Vista and Evergreen intended the acquisition of Citrix in an all-cash transaction with the intention to combine Citrix and TIBCO Software, a portfolio company of Vista, to create one of the largest software providers worldwide and to accelerate the digital transition of their customers and users. Vista and Elliot are paying \$104 per share in cash thus valuing Citrix at \$16.5B, which represents a premium of 24% of the company’s closing share price on December 10, 2021, the last trading day prior to media reports regarding a potential bid from Vista and Evergreen. This represents a 14,2% discount on the previous twelve months’ average share price. Investors reacted positively as Citrix’s share price rose by 12% from \$83.65 to \$95,05. Upon completion of the transaction and combining Citrix with Tibco, the company will be unlisted from the NASDAQ and will continue to accelerate its defined growth strategy and SaaS transition. The tender offer is expected to close in the middle of 2022.

Vista Equity Partner

Vista Equity Partners is an American private equity firm, established in 2000 by the current CEO and Chairman Robert F. Smith. With over 580 closed transactions, amounting to an aggregated transaction value of over \$217B, Vista has built its position as the leading investment firm in the software industry, focusing exclusively on enterprise software, data, and technology to create a unique ecosystem and expertise in this industry. Today over 500 employees manage 80 portfolio companies, generating annual revenues of over \$1.65B and \$86B assets under management. Notable portfolio compa-

nies of Vista in the specific sector of enterprise data and technology-enabled enterprise software include Arcos, Accruent, Quickbase, and Khoros among many others.

Evergreen Coast Capital Corp./Elliott Management Corp.

Evergreen Coast Capital is a private equity firm that focuses on investing in technology, established in 2015, and is currently a subsidiary of Elliott Investment Management. It has made five investments and two exits. Most notable are the investments in Intrusive of \$96.2M in 2021, and that of Nielsen with \$16B in 2022. Evergreen is usually participating in two investment funds annually in deals of more than \$100M. Its parent company Elliott Investment Management L.P. manages approximately \$51.5B of assets. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it one of the oldest funds under continuous management. The Elliott funds’ investors include pension funds, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, as well as employees of the firm.

Citrix Systems, Inc. Citrix has built its reputation by providing enterprises with a unique ecosystem of virtualization, cloud computing, networking, and SaaS products, enabling over 400 000 clients worldwide to offer remote connectivity to workers. Citrix counts over 98% of the Fortune 500 companies as its clients.

It was founded in 1989 by Ed Iacobucci in Fort Lauderdale, Florida, to build remote access tools for Windows OS hardware. Citrix acquired over 50 companies, most of which have augmented its

existing portfolio and helped to expand its business globally. Citrix's first acquisition was DataPac in 1997, which helped them to expand in the Asia-Pacific region. Further notable acquisitions include Expert City, NetScaler, and XenSource. With the acquisition of ExpertCity in 2001, Citrix expanded its breadth of products into desktop virtualization. With the rise of cloud technology, Citrix started to grow its product base in the software as a service (SaaS) and infrastructure as a service (IaaS) industry. Since its re-branding in 2018, Citrix products focuses on three branches: Workspace, Networking, and Analytics.

Citrix's IPO was undertaken in 1995 at a stock price of \$15 and a valuation of \$55.89M. As of April 2022, Citrix's stock price has grown to \$101 with a market cap of \$12.37B. Due to the COVID-19 pandemic and the related social distancing measures, the demand for network and remote access applications increased, which is also visible in the share price of Citrix, growing over 20%, whereas the Dow Jones fell by 7.7%. In April 2020, Citrix experienced a surge in demand which resulted in a limited distribution of Citrix Workspace licenses. Further, Citrix was not able to successfully convert new customers during the pandemic to long-term customers. Since then, the share price of Citrix fell steadily by 10% despite the overall market nearly doubling.

In terms of financial performance, Citrix's revenue faced a decline until 2020. From 2017 to 2019 the revenue of Citrix fell by \$0.517B to \$2,329B. Since then, Citrix's revenue has risen by over \$0.597B. This increase can be explained as Citrix was able to acquire new customers, facing the challenges of remote work thus the accelerating demand for remote

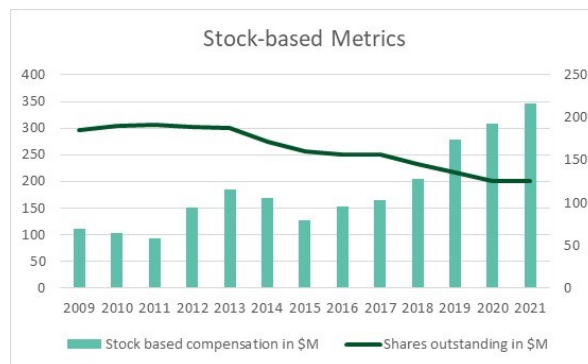


Figure 1: Source: Yahoo Finance – Own illustration.

application software, despite not being able to fulfill the needs during the pandemic. In addition, in October 2020 Citrix CEO David. J. Henshall stepped down from his positions as a CEO and member of the board.

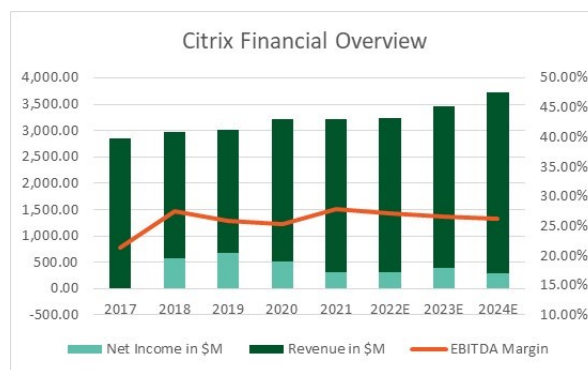


Figure 2: Source: Yahoo Finance – Own illustration.

Despite the bad planning decisions, structural problems, and missed opportunities during the pandemic, we identified certain aspects for the future growth of Citrix. As the pandemic is still continuous in many countries and new lockdown measures are enforced, for example in China, there still will be an increasing demand for remote access tools. In addition, with a new CEO and private-equity-backed,

Citrix will be able to reorientate and develop further.

TIBCO Software, Inc.

The integration middleware has been a key requirement for companies trying to connect different systems together. TIBCO Software, founded 1997 in California, had this technology and business problem and provided a key set of integration and infrastructure products for multiple industry segments. With its solutions being the integration means of choice in the financial services, telecommunications, energy, government, manufacturing, and infrastructure. Today it has about 4000 customers supported by over 2500 employees and annual revenues of \$743M. The company currently provides a wide range of core infrastructure products aiding real-time communications between different applications, mainly for B2B and B2C data transfers.

State of the Industry – Cloud Computing, Virtualization Technology

Cloud computing has completely changed the dynamics of the IT industry by providing rapidly elastic expansion, the ability of the customers to onboard to a specific set of cloud services by on-demand self-service, the broad availability of these services from all locations and not just specific premises, multi-tenancy from the same set of services by pooling of resources, and the ability to be billed based on the actual usage than longer-term projections based on a measured service. Virtualization software is a key enabler in providing the technical enablers for elastic scaling of IT resources, which previously were limited in use to a specific set of users bound by physical access and driven by cloud computing the virtualization market is

estimated to be \$40B to \$162B. The COVID-19 pandemic has rapidly driven the market upwards with entire businesses working online using cloud computing virtualized resources. The impact of the Ukraine crisis on the market is yet unknown but may have a negative impact due to the data residency and sovereignty concerns in non-EU, US, or UK jurisdictions, with cloud computing services along with finance forming a non-lethal weapon for the western alliance.

Company Name	Valuation FY2021		
	EV/Sales	EV/EBITD	P/E
Microsoft Corporation	12.4x	24.2x	33.5x
Cisco Systems, Inc.	4.3x	13.1x	20.0x
Check Point Software	7.9x	18.2x	23.2x
A10 Networks, Inc.	3.7x	21.9x	12.0x
Amazon.com Inc.	3.9x	23.4x	52.0x
Average	6.446x	20.156x	28.144x
Median	4.32x	21.93x	23.22x
Citrix Systems, Inc.	4.9x	28.7x	41.6x

Figure 3: Source: Yahoo Finance – Own illustration.

Deal Structure

Vista and Evergreen initiate to acquire Citrix in an all-cash transaction valued at \$16.5B, including the assumption of Citrix debt. At the completion of the acquisition, Citrix shareholders are entitled to receive \$104 in cash per share which represents a 30% premium towards the last trading day before market speculations regarding a potential transaction and a 24% premium over the closing price of the last trading day prior to media regarding a potential bid from Vista and Evergreen. The bid from Vista and Evergreen represents a 14,2% discount on the previous twelve months' average share price. Investors reacted positively as Citrix's share price

rose by 12% from \$83.65 to \$95,05. In connection with the transaction, Vista and Evergreen intend to combine Citrix and TIBCO Software, one of Vista's portfolio companies acquired in 2014. The combination of TIBCO and Citrix merges Citrix's digital workspace applications with the data analytics software of TIBCO to provide the customers with additional resources and insights available from their ecosystem. Elliott Management already holds 12% of Citrix's shares through a combination of outstanding shares of Citrix common stock and derivatives. Upon completion of the transaction, delisting Citrix from NASDAQ, and combining Citrix with TIBCO, Citrix continues as a private company to accelerate its defined growth strategy and SaaS transition. Citrix will continue to operate under the Citrix name in Fort Lauderdale, Florida. The tender offer is expected to close in the middle of 2022.

Potential Risks & Potential Upsides

This acquisition enabled Vista and Evergreen to deliver significant and immediate cash to Citrix shareholders aligned with the expectation of its customer base. This sector is facing increasingly significant competition based on greater brand name recognition, longer operating histories, larger budgets, established customer relationships, and significantly greater resources for the development of their solutions.

The main challenge of Citrix is to retain its new customer acquisitions during the COVID-19 period and sustain the levels of growth experienced during the pandemic-related demand surge. An additional and related challenge is the on-premises software licenses to cloud transition, and thereby convert customer's CAPEX investments to OPEX, leading

to repeatable, renewable, and recurring long-term sources of revenues for Citrix. The cloud-based model ensures significantly predictable future earnings but also requires operational planning, as well as the ability to address the pandemic-related demand surges elastically in, to win customer confidence and increase the customer lifetime value.

Citrix has an internationally diversified customer base and has previous experience in acquiring over 50 companies. Therefore, the integration of Citrix with TIBCO is likely to face limited impact from traditional M&A-related problems such as cultural and management differences. In addition, the pandemic has not ended and some of the trends such as remote working leading to demand for virtualization have led to systemic changes and will lead to sustained demand for remote access software. The acquisition will enable Citrix to provide an extended set of values for its customer base in solving operational problems and business challenges.