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HGGC Invests in Cloud Services Provider AutoAlert

By Michael Wursthorn

Despite rising valuations in the software industry, HGGC continues to close deals.

The Palo Alto, Calif., firm, formerly known as Huntsman Gay Global Capital, acquired AutoAlert Inc., a provider of cloud-based data services to car dealerships. Terms of the deal weren't disclosed, though a person with knowledge of the matter said the transaction's enterprise value was below \$300 million.

For HGGC, the deal was made possible through a substantial reinvestment by AutoAlert founders Boyd Warner and Jeff Cotton. Messrs. Warner and Cotton will own between 30% and 49% of the business alongside HGGC, the person said.

That reinvestment allowed HGGC to put less of its own money into the deal and avoid having to pay the sky-high valuations seen in software deals over the last 12 to 18 months.

"The market today is characterized by people that come in, meet management once or twice in a big process...and win by paying full price," said HGGC Chief Executive Richard Lawson. "What we're doing is creative."

Irvine, Calif.-based AutoAlert, founded in 2002, provides leads to auto retailers, helping them to sell more than 305,000 vehicles for more than \$687 million in gross revenue last year. The software maker has more than 2,700 car dealerships using its software. Mr. Lawson said HGGC will help AutoAlert grow its customer base beyond North America.

Software companies like AutoAlert have been particularly attractive to private equity over the last several years thanks to their the recurring revenue model. Software businesses, particularly SaaS companies, tend to have multiyear contracts with customers, giving buyers and lenders an easy-to-predict revenue stream.

Last year alone saw private equity take part in 140 software deals globally, excluding add-ons, with a total volume of \$19.74 billion, according to data provider Dealogic. That's up from 108 transactions worth \$5.66 billion in 2012.

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