

ANOTHER CLOUD DEAL: ZOOM ANNOUNCES THE ACQUISITION OF FIVE9

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What Happened? On Sunday, July 18, 2021, Zoom Video Communications, Inc., announced its intent to acquire Five9, Inc.¹ Both of these cloud computing stocks are currently held in the [WisdomTree Cloud Computing Fund](#), and this deal marks a continuation of M&A activity in the cloud industry.

What's the Deal? It's an all-stock transaction worth \$14.7 billion in which Five9 shareholders will receive 0.5533 shares of Zoom for each share of Five9 owned. The implied deal price per share is \$200.28, representing a 13% premium relative to Five9's closing price on Friday, July 16, of \$177.60. The premium is on the [lower end of cloud acquisition premiums, which we've been tracking](#), and which we wrote about [following WCLD's rebalance in February](#).

What's the Motive? Most people are more familiar with Zoom than they are with Five9. During the COVID-19 pandemic, Zoom became a household name as its videoconferencing platform became one of the default options to connect face-to-face with friends, family, colleagues and clients.

Zoom's growth strategy is to provide a platform for Unified Communications as a Service ("UCaaS"). In addition to the video platform Zoom Meetings, the company also offers Zoom Phone. Zoom Phone is a private branch exchange (PBX), which serves as an internal telephone network for enterprises—it's what allows organizations to have a single phone number with a multitude of extensions to private lines instead of needing to maintain and pay for multiple phone lines. On top of this basic functionality, most PBX systems also offer a wide range of other advanced features.

Zoom's enterprise cloud phone system is different from an on-premise PBX system. An on-premise solution requires equipment and hardware to be installed and run on-site where the enterprise is located, but Zoom's cloud-based system is managed off-site over the Internet.

Similarly, Five9 offers an entirely cloud-based customer service contact center system. Its software solution enables organizations to engage with customers through both voice and digital channels and serves as a replacement for legacy on-premise PBX phone systems—the typical "push 1 for this, push 2 for that" when you call a company's customer service line.

Acquiring Five9 allows Zoom to strengthen the Zoom Phone offering by deepening its capabilities and the relationship that Zoom has with its enterprise clients. One unique synergy this acquisition creates is within the informational technology (IT) help desk arena. An enterprise using the combined Zoom and Five9 platform can troubleshoot clients' IT problems using screen sharing and screen control, rather than providing voice directions over the phone.

Jeremy Schwartz, WisdomTree's Global Head of Research, recently hosted Five9's Chief Executive Officer, Rowan Trollope, on his *Behind the Markets* podcast. Trollope spoke at length about the growth opportunity created for Five9 as enterprises steadily transition from legacy PBX customer service systems to their cloud-based solution. The full conversation can be accessed below, and it is particularly interesting to relisten to after this deal announcement!

¹ As of 7/16/21, WCLD held 1.6% and 1.8% of its weight in Zoom Video Communications and Five9, respectively.

Behind the Markets on Wharton Business Radio · Behind the Markets Podcast: Gad Allon, Rowan Trollope, & Ethan Kurzweil

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