

Which Vendor Will be Acquired Next?

By Anthony Garritano, Editor, Mortgage Technology Newsletter

With volume down many lenders are looking to technology to increase efficiencies. As a result, vendors want to be prepared to offer a full solution that covers everything from soup to nuts. So those vendors that have access to funding or have a large client base are actively looking to acquire both rivals and complementary companies to flesh out their own offering.

Looking back in the news over just the past two weeks, this publication has reported on three acquisitions, one by Stewart and two by Fidelity. Also, Wolters Kluwer Financial Services grabbed headlines with the acquisition of Desert Document services. And before that eLynx gobbled up its biggest competitor, SwiftView. The tech vendor M&A space is certainly hot and heavy right now.

Global M&A activity came in at \$3.79 trillion, with technology M&As accounting for \$612 billion, cited Scott Cooley, principal at Cooley Consulting, at the 10th Annual SourceMedia Mortgage Technology Conference, Tempe, Ariz. When looking for an acquisition target, Mr. Cooley said most technology buyers are in the market for return on investment, strategic or cross sell opportunities, to fill a hole in their current offering, to roll up like firms, or to buy a technology provider instead of building that technology on their own.

In the M&A process, Mr. Cooley stressed the importance of talking to every potential buyer, creating a company book with all the company's trade secrets for use by potential buyers, giving certain buyers special treatment and qualifying the buyer on a variety of levels. The successful acquisition, according to Mr. Cooley, includes developing a stronger management team, properly evaluating joint business plans, taking advantage of synergies and proving out growth.

And in total 80% of 20 respondents to this publication would characterize technology M&A activity as heavy. "I think technology M&A is increasing from the past and that we will see more acquisitions for various reasons," pointed out Cary Burch, president and CEO of LSSI. "Companies are looking for new product acquisition. Also, there is consolidation in Doc business and other areas right now as well. Lastly, strategic technology acquisitions in the compliance and fraud areas are a big priority."

"Mortgage technology M&A activity is currently at peak levels of interest on both the buy and sell side," added Jordan Brown, CEO MarketWise Advisors LLC. "There are numerous pending deals. The level of market interest is in part sparked by high transaction multiples."

"MarketWise Advisors LLC regularly canvasses the loan origination and loan servicing technology market for buy/sell side opportunities for clients and the current pace of activity is brisk," noted Mr. Brown. "We will see several major trades in 2007 that will outpace 2006 M&A levels."

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