



## Industry Commentary

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## Restaurant Technology M&A Accelerates, Driven by New Levels of Industry Digitization

The COVID-19 pandemic has pushed the restaurant industry to utilize technology platforms more than ever before. This has led to increased M&A activity and interest across the restaurant technology sector, from omnichannel ordering solutions to software focused on supply chain management. We explore some of the key factors driving restaurant technology M&A today.

### Omnichannel Ordering Capabilities a Must-Have as Companies Focus on Adopting Cloud-based POS Platforms

Historically, restaurants have been technology laggards, often taking customer orders or managing their supply chains by pen and paper. The COVID-19 pandemic provided a dramatic wake-up call for the industry, forcing many restaurants to adopt omnichannel order-taking software as fast as possible to maintain revenue. As a result, integrated phone, text, and web-based ordering platforms are becoming must-have solutions.

At the same time, the rise of third-party delivery services such as DoorDash and Grubhub has challenged restaurants to maintain margins, brand identity, and customer relationships. While third-party services can make food delivery more accessible for customers—and thereby add to restaurants' gross revenue—these service providers also charge substantial delivery fees and eliminate restaurants' direct contact with customers. As a result, a restaurant's brand may suffer if a customer's experience with a third-party delivery service doesn't go well.

In response to these dynamics, some restaurant chains have created their

own ordering and delivery apps to eliminate third-party delivery fees and maintain control over their customer relationships. We expect that more restaurants with the scale and resources to develop their own ordering and delivery apps will continue to do so, and we anticipate increasing M&A activity in this space.

In March 2021, William Blair served as an advisor for the IPO of Olo, Inc. (NYSE: OLO), a software company that allows restaurants to manage orders, set customized menus, and develop loyalty programs. Founded in 2005, Olo's customers include restaurant chains such as Five Guys, California Pizza Kitchen, and The Cheesecake Factory. The IPO raised \$450 million and was priced above market range. Olo is poised to continue empowering restaurant operators to drive new levels of customer reach and demand by providing a critical connection point to new and evolving digital channels.

### Leading Platforms Are Developing Next-Generation Solutions to Meet the Unique Needs of Foodservice Operators from SMB to Enterprise

The size of a restaurant business strongly influences the type of technology solutions it needs. Small operators with one or two locations may want all-in-one solutions that

cover their needs from front- to back-of-house, including reservations, ordering, staff scheduling, loyalty solutions, and supply chain management. For enterprises that have hundreds of restaurant locations or more, technology needs may center around store reporting, performance management, online ordering, and other forms of automation. Midsize businesses require a blend of the technologies sought by small operators and enterprise-level businesses.

Given the varying technology needs of restaurant companies based on their size and need for customization, the restaurant tech space will continue to produce multiple winners from an M&A perspective. Because effective restaurant technologies can help restaurants increase their profitability dramatically, the market offers restaurant tech providers strong incentives to innovate and adapt their products to meet evolving client needs. M&A activity in the space will continue to be robust as winners emerge to serve restaurant businesses of every size.

In September 2021, William Blair served as advisor to Boston-based Toast (NYSE: TOST) on its IPO, which raised \$870 million and was priced above market range at \$40 per share. Toast provides turnkey solutions across point-of-sale payment processing, operations, digital ordering, loyalty programs, reporting, and analytics. In December 2020, William Blair advised Upserve on its \$435 million acquisition by Lightspeed POS. Upserve—an all-in-one, cloud-based restaurant management software company servicing the SMB fine dining market—greatly strengthened Lightspeed’s position in the U.S. market. Upserve was previously a portfolio company of Vista Equity Partners.

### Labor Issues Drive Innovation in Restaurant and Foodservice Tech

Since its onset in early 2020, the COVID-19 pandemic has devastated the American service industry. According to the U.S. Department of Labor, some 4.5 million Americans—about 3% of the total U.S. workforce—quit their jobs in November 2021 alone, an all-time record<sup>1</sup>. This includes 920,000 workers in restaurants, bars, and hotels who quit their jobs in November.

The high number of job openings has given workers greater leverage when searching for new positions. Many job-seekers are demanding better pay, more flexible working conditions, and expanded benefits. Within this environment, restaurants have predictably found it challenging to find and retain workers.

In response, many restaurants are utilizing new technology platforms to better meet workers’ demands. Solutions include pay-on-demand software that allows workers to cash out their earnings and tips from each shift, as well as technology for recruiting and scheduling workers. These tools have helped restaurants adapt to the overall labor shortage and the increased negotiating leverage that many workers have today.

In addition, many restaurants have begun to utilize software platforms that provide data-driven visibility into customer demand and capacity throughout the business day and week. These tools have allowed restaurants to transition from reactive to proactive team management and thereby improve their staffing efficiency.

In December 2020, William Blair acted as exclusive advisor to 365 Retail Markets in their majority investment from Providence Equity Partners. 365 Retail Markets provides end-to-end integrated SaaS software, payment processing, and point-of-sale technologies to enable self-service offerings for foodservice operators.

In July 2019, William Blair acted as financial advisor to Marlin Equity Partners in connection with its acquisition and merger of HotSchedules and Fourth, respectively. HotSchedules focuses on workforce and inventory management for the restaurant industry, while Fourth provides an integrated hospitality workforce management and cost-control operations platform. Together, the merged company represents the world’s largest provider of end-to-end restaurant and hospitality management solutions, powering new levels of workforce optimization and operational excellence for restaurant, retail, and hospitality operators worldwide.

### Pent-up Demand Affecting Alcohol and Events Companies

*The COVID-19 pandemic has resulted in massive pent-up demand in personal and B2B events that will likely result in unprecedented capacity shortages in coming quarters. We expect venues from hotels to concert halls to see a surge in bookings that will require companies to adopt new technologies to manage demand. We anticipate that this will drive further dealmaking in event management, destination marketing, and catering software companies.*




















*As part of pent-up demand, alcohol consumption will likely increase but will be affected by shifting beverage supply chains as brick-and-mortar and direct-to-consumer (DTC) retailers become a more integral component of beverage demand. We believe that this will drive further dealmaking in the production and distribution markets. In addition, increased regulation and compliance requirements will create a unique opportunity for software providers in this space to help industry constituents avoid risk in their operations and better comply with a complex and ever-changing regulatory environment.*

*In May 2021, William Blair acted as exclusive advisor to Ungerboeck on the acquisition and strategic growth investment from Cove Hill Partners. Ungerboeck provides industry-leading event and venue management software to over 50,000 users in 50+ countries around the world, empowering the people that bring people together.*

To learn more about these and other trends that are shaping the dealmaking environment in the restaurant tech sector, please don’t hesitate to reach out.

1. Source: U.S. Bureau of Labor Statistics, January 4, 2022

## Recent William Blair Restaurant Technology Services Transactions

 <p>has been acquired by Dragoneer Growth Opportunities Corp. II</p>	 <p>a portfolio company of Serent Capital</p> <p>has received a strategic growth investment from</p> 	 <p>Initial Public Offering</p>
 <p>Unitranche Credit Facility</p>	<p>Restaurant365</p> <p>has acquired</p> 	 <p>Initial Public Offering</p>
 <p>has announced a growth equity partnership with</p> 	 <p>Initial Public Offering</p>	 <p>has been recapitalized by</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has acquired and merged</p>  

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