Deal Spotlight:
Microsoft acquisition of Nuance Communications for $19.7bn
Target company

Nuance is a leader in conversational AI and cloud technologies for healthcare and other enterprise verticals. It delivers solutions that amplify human intelligence to increase productivity and security.

**Healthcare**
- FY’20A Revenue $720m (60% of total)
- Improves clinical documentation and quality of care, minimizes physician burnout, integrates quality measures and aid reimbursement (DAX product)
- Footprint: 300m patient stories per year, 6.5k connected healthcare facilities

**Enterprise**
- FY’20A Revenue $530m (40% of Total)
- Provides multi-channel access to customer service, driving demand for AI-powered omni-channel engagement solutions
- Footprint: 31bn customer interactions per year, 85% of Fortune 500 use Nuance

**New Nuance**
- Streamlined AI-driven business focused on healthcare and enterprise applications
- High growth potential of the DAX healthcare product pipeline
- Entrenched relationships with healthcare providers delivering upsell potential across Microsoft cloud products
Target journey

Extensive business repositioning led to exceptional value creation for Nuance over six years.

- Sale of Imaging Business to Kolfax $400m
- Intention to spin-off Cerence
- DAX product unveiled
- Cerence spin-off completed
- Microsoft DAX partnership
- Microsoft Teams DAX integration
- Divestment of transcription & EHR business
Deal summary

Microsoft, an American multinational technology company, acquired 100% of Nuance Communications, an American multinational computer software technology corporation, in an all-cash transaction valued at $19.7bn.

Structure
- $56 per share, implying a 28% premium to 30D VWAP
- $19.5bn Enterprise Value
- All Cash Consideration
- Acquiror advisors: Goldman Sachs; Simpson Thacher & Bartlett
- Target advisors: Evercore; Paul, Weiss

Financial impact
- Minimally dilutive to EPS in FY22 (<1%) Accretive to EPS in FY23
- No change to $21bn buyback programme
- Post-close part of Intelligent Cloud Segment

Highlights
- 14.3× EV/Revenue FY21E
- 57.6× EV/EBITDA FY21E
- Largest tech M&A in 2021
- Largest all-cash tech M&A since 2018
- Third-largest enterprise software M&A of all time
Deal strategy

The acquisition would increase Microsoft’s healthcare TAM to nearly $500bn and expand its cross-industry AI leadership and allow clients to benefit from enhanced consumer, patient, clinician, and employee experiences, and ultimately improve productivity and financial performance.

Goals:

1. Deliver voice-enabled solutions to help providers be more effective

2. Empower providers with ambient clinical intelligence

3. Enable providers to use AI to deliver the right solution at the right time

4. Deliver AI-enabled digital engagement to every industry

550k physicians use Nuance solutions

77% of US hospitals are Nuance Customers

75% of US radiologists use Nuance
Deal impact

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Together...we will put advanced AI solutions into the hands of professionals everywhere to drive better decision-making and create more meaningful connections...

Satya Nadella
Microsoft CEO

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[The acquisition] will enable us to accelerate our innovation and deploy our solutions more quickly, more seamlessly and at greater scale to solve our customers’ most pressing challenges.

Mark Benjamin
Nuance CEO
Target advisor

Evercore acted as the exclusive financial advisor to Nuance and was an integral part of Nuance’s growth story and transformation.

Evercore value add

- Intimate knowledge of strategic player’s agendas
- Extensive pre-marketing and education of bidders
- Tight and highly confidential process (6 weeks from the first offer to signing)
- Achieved premium multiples: 14.3× revenue, 58× EBITDA

Deal captain

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Advised Nuance on:

2005 $20m merger with ScanSoft
2006 $357m acquisition of Dictaphone
2009 $96m acquisition of Philips Speech Recognition
2011 acquisition of Webmedx
2012 $300m acquisition of Transcend
2016 $26.3m share repurchase of Nuance common stock from Icahn Group
2016 $215m acquisition of TOUCH Commerce
2019 its spin off of Cerence
2022 $19.7 sale to Microsoft
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