

iContact acquired in deal valued at \$169M

BY LAURA OLENIACZ

DURHAM – The Morrisville-based email and social marketing firm iContact has been acquired by a Maryland-based provider of marketing and public relations software in a deal valued at \$169 million.

The technology company, whose two founders started work on the business nine years ago as students at UNC Chapel Hill, was acquired by Vocus, a publicly traded company based in Beltsville, Md., that's looking to add email marketing to its other marketing software offerings.

“Overall, we're very excited about the idea, and very excited to be a part of a global public company,” said Ryan Allis, a co-founder of iContact, who is now the business' president. “We've got a great opportunity to be able to keep our people here, while being a part of this public company,” he added.

Allis co-founded the email marketing and social marketing company in 2003 with his business partner and college friend Aaron Houghton. Allis said he dropped out of college to work on the company's launch, and lived in an office that next summer as they worked on the business.

They kept costs low initially, bootstrapping until they got \$500,000 in funding from the IDEA Fund Partners in 2006.

They raised a total of \$52.9 million in venture funding from 2006 to 2010, Allis said in an interview on Tuesday. The money was invested in research and development, marketing, and building the company's management team.

Prior to the deal with Vocus that closed on Friday, the company's largest shareholder was JMI Equity, Allis said. The private equity firm had invested \$40 million in the company in 2010. It was after they raised that funding that iContact officials knew the company would either have to go public, or get acquired, he said.

In an interview with The Herald-Sun last year, Allis had said the company was on a growth curve that they hoped would prepare them for an initial public offering.

In that interview, Allis had said iContact's revenues had grown from more than \$14 million in 2008 to about \$38 million in 2010. He said on Tuesday that iContact continued to have strong revenue growth last year.

In addition to revenue growth, the company had also seen employee growth – from 80 employees in 2008, to 250 employees currently, with another 70 contractors.

That work force growth was needed to support the company's growing customer base, Allis said, adding that the business grew to serve about 71,000 paying customers.

And in anticipation of that employee growth, the company had moved its headquarters in 2010 from Durham to its offices in Morrisville.

The company's operations and staff will remain in Morrisville, according to the news release distributed on Tuesday about the acquisition, with Allis is serving as the business' president.

The deal came unsolicited, "out of the blue," Allis said, adding that company officials were looking at what it would take to take the company public.

Under the terms of the deal, Vocus acquired iContact by paying about \$91 million in cash, \$9 million in common stock and \$79 million of redeemable convertible preferred stock. Vocus also acquired \$10 million in cash from iContact, for a total net acquisition value of \$169 million.

The Maryland company plans to integrate iContact's platform into its offering of product offerings that includes search marketing, social marketing, and publicity tools.

Vocus and iContact customers are not expected to experience any change to their current products and services. But once the integration is complete later this year, the release says customers will have an option of continuing to use a stand-alone iContact product, or switching to a marketing product that includes more marketing capabilities.

iContact's email marketing software allows small to mid-sized businesses to create and send email campaigns, and their platform is integrated with Facebook and Twitter, the release states, so users can launch campaigns across those social networks.

"We're very excited about this acquisition, which will add award-winning email capabilities to our marketing suite, and also more than double our customer base of small and mid-sized businesses looking for a modern marketing suite to help them grow their business," said Rick Rudman, President and CEO of Vocus Inc., in a prepared statement.

Allis also said that "for the time being," iContact's corporate responsibility program will stay in place.

The company established a program called the "4-1s Corporate Social Responsibility Program," which included provisions allowing employees to receive several paid workdays each year for volunteering, and offering nonprofits in the state access to its email marketing software for free.

Allis said iContact and Vocus will be working on a unified corporate responsibility program, but nonprofits in the state using the Morrisville company's software for free will continue to have access to that service. He said there are about 800 total nonprofits that use iContact for free, and he expects there to be a pro bono nonprofit program developed in the future.

"We will continue to provide iContact for free to all the nonprofits in North Carolina that are using iContact today," Allis said. "As part of Vocus, we will come up with a unified policy going forward about which nonprofits will be able to use Vocus products, including iContact, free of charge," he added.