

# VERSAPAY, DADESYSTEMS TAKE PAPER ACCOUNTS DIGITAL

*Versapay CEO Craig O'Neill and Great Hill's Matthew Vettel discuss the latest acquisition and the appeal of accounts receivables software.*

BY CHRIS NOLTER

Great Hill Partners LP-backed software company Versapay Corp. operates an accounts receivables platform that CEO Craig O'Neill likens to a Zoom call. The dashboard integrates an invoice system with payment history and payment options with collaborative features such as messaging between supplier and customer.

Versapay's purchase of DadeSystems Inc., announced Monday, April 18, helps the company integrate old-school payment options such as paper checks, wire transfers and credit cards into its next-generation platform. The purchase expands Versapay's presence in the booming niche of software for accounts receivables and other business-to-business payments that has benefited from remote work during the pandemic. Like Versapay, competitors have attracted sponsors and acquired rivals.

"Dade was doing the important work of saying, 'Hey, there's tons of checks in the system. There's a lack of connectivity,'" O'Neill told The Deal. Miami-based DadeSystems uses artificial intelligence and other technology to analyze remittances, communications and other data. "Customers send their suppliers checks or other payments," O'Neill noted, "and it's actually difficult to figure out what the payments are for because business to business is complex."



Versapay CEO Craig O'Neill and Great Hill's Matt Vettel

## Making Accounts Receivable Pay

Versapay and DadeSystems did not disclose terms of the deal. Great Hill managing partner Matthew Vettel, however, said that inclusive of the DadeSystems transaction, the firm's investment in Versapay comes to more than \$200 million. DadeSystems backer Ten Coves Capital LP will roll its stake into Versapay and provide more capital alongside Great Hill.

Great Hill took Versapay private in a C\$126 million (\$100 million) buyout that closed in February 2021. The Boston firm knows the niche well, having made about a dozen investments in companies at the nexus

of software and payments.

Great Hill's portfolio includes BlueSnap Inc., a software-as-a-service payments, e-commerce and marketing company, and Paytronix Systems Inc., which focuses on restaurants and convenience stores. The firm also backed MineralTree Inc., which automates accounts receivable processes such as extracting information from invoices and agreed to a \$500 million sale to Global Payments Inc. (GPN) in September.

"There's so much opportunity for innovation in those markets because they're typically codified systems that were based on paper flows," Vettel said.

Just as PayPal Inc. (PYPL) and Zelle, or Early Warning Services LLC, have reduced paper checks and cash exchanges in consumer transactions, Vettel suggests that software will digitize business-to-business transactions.

"It's much more complex and requires more software functionality, but at the end of the day, it's things that we can digitize," Vettel said. "That experience will be similar to a Venmo or Zelle experience for people in the back office when they're working through their relationships on the buyer and supplier side."

### **Digitizing Paper Checks**

In interim, business-to-business accounts receivable are more complicated.

For starters, a business may have multiple concurrent orders with an important supplier. "In any given month, there could be dozens or hundreds of invoices in the mix, O'Neill said. Customers pay in batches and may claim discounts or credits for unsatisfactory or incorrect deliveries. "They send you a payment back for an amount, which doesn't match anything in particular in your system. You have to figure out what it's for now."

Untangling the information is on the supplier. "We've seen large distributors and manufacturers with dozens or even hundreds of people in their department that they call cash applications, just dealing with this problem," O'Neill said.

Some businesses still prefer paper checks.

DadeSystems uses optical character recognition to read information on a paper invoice and applies artificial intelligence to find information in an email or another source. "It can run heuristics and machine learning algorithms to figure out, based on past behavior, what we think this customer is doing," O'Neill said. "People only have to [manually] look at the rare exception instead of looking at every payment coming in."

Versapay and Great Hill had a window into DadeSystems' offerings. The companies have had a partnership for about a year.

### **Friends and Rivals**

Companies like Versapay work alongside massive enterprise resource planning, or ERP, software companies such as Microsoft Corp.'s (MSFT) Dynamics, Oracle Corp.'s (ORCL) Netsuite Inc. and Sage Group plc that clients use to run their accounting, compliance, risk management, supply chain management and other processes from day to day. "We bridge the gap between our clients' ERP systems and their customers," Versapay's O'Neill said, describing the services as complementary rather than competitive.

The competition comes from a field of software developers with applications for accounts receivable and other payments functions. The niche has been a hot spot for private equity investments and consolidation.

Vendors in the upper middle market include HighRadius Corp., which develops accounts receivable software and raised \$300 million at a \$3.1 billion valuation from D1 Capital Partners LP, Tiger Global Management LLC and others in March 2021. BillTrust, or Factor Systems Inc., combined with South Mountain Merger Corp. in a \$1.5 billion SPAC merger in January. Fintech giant Fidelity National Information Services Inc. (FIS) owns GetPaid through its 2015 purchase of Sungard Data Systems Inc. Cforia Software LLC raised funds from middle-market private equity fund

Gemspring Capital in July 2020.

Some of Versapay's middle-market rivals have been snapped up. Anytime Collect sold to Lockstep Network Inc. in 2019, while accounts receivable automation company YayPay Inc. sold to French business services company Quadient SA for €17 million (\$18.3 million) in July 2020.

Lower-middle-market player Armatic Technologies Inc. sold to Great Hill-backed BlueSnap in 2019, though Invoiced Inc. of Austin, Texas, remains independent and made the Inc. 5000 list in 2021 after posting a 413% three-year growth rate.

Middle-market accounts payable automation company AvidXchange Holdings Inc. acquired Core

Associates LLC in 2021 and has backing from Lone Pine Capital LLC, Schonfeld Strategic Advisors LLC, Mastercard Inc. (MA), Sixth Street Partners and others.

Small-to-midsize-business back-office software developer Bill.com Holdings Inc. (BILL) purchased accounts receivable software maker Invoice2go Inc. in September for \$625 million.

Meanwhile, Thoma Bravo LP agreed to buy business payments company Bottomline Technologies Inc. (EPAY) for \$2.6 billion. in September 2021.

"The back office is often considered a bit of a sleepy space," O'Neill said. "But it's really a hot and exciting space right now because companies are realizing they need to change."