Zendesk acquires Singapore startup Zopim for $30M, plans to raise $150M in IPO

April 13, 2014  at 8:59 pm  by Terence Lee

Zendesk CEO Mikkel Svane with the Zopim team.

Zopim, a Singapore-based startup well-known for its live customer support chat widget, has been acquired by San Francisco’s Zendesk, a 500-strong customer support company that has filed for an IPO where it intends to raise US$150 million. The news was announced on both companies’ blogs.

Zendesk’s 5.1 filing states the Zopim deal could be worth up to $20.8 million. Zopim will get an upfront payment of $15.9 million, of which $5 million will be in cash and the rest in common stock. The remaining $15.9 million in cash and shares will be paid out over the next two to three years, subject to Zopim staff’s continued employment.

The Singapore company started in 2008 and came out of beta two years later. The founders struggled in the early going, paying themselves a meagre $400 a month for two years. Since then, its growth has accelerated, becoming one of the most well-used support chat widgets around the world.

At this point, around 40,000 businesses have signed up on the platform and 120,000 websites have the Zopim widget. In 2012, it turned down an acquisition offer worth between $5 to 10 million.

According to a reliable source, Zopim’s revenue grew almost four times from Financial Year 2010 to 2011, and then doubled year-on-year to $1.4 million in FY 2012 with profits after tax at $289,000 - a profit margin of 19.4 percent.

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The source further reveals that based on the distribution of equity, co-founders Rayson Tay (CEO), Wenjiang Wu (COO), and Yang Bin Keksi (CTO) would get the lion’s share of the deal at up to $7.7 million in cash and stock each at the end of three years, while customer experience vice president Qing Rui Lim, also a co-founder, will get $3.57 million.

The startup has two main shareholders: NUS Technology will exit with up to $1.78 million, while Julian Lee, a founding member of the team who’s new with investment firm Red Dot Ventures, will potentially get $1.31 million in cash and shares.

The deal has been in the works since last year, when negotiations started between both parties. Tay, the CEO, has assured customers that the acquisition will not affect the product or pricing package. “We won’t be making any major changes to the Zopim service in the coming months,” he said.

While the core service will remain unchanged, new features will be added based on the current roadmap. Customer support will continue. The acquisition, which will result in the entire Zopim team joining Zendesk, will give Zopim resources to hire new talent, improve customer service, and introduce tighter integration with Zendesk. In fact, the latter’s own chat feature will be replaced by Zopim’s product.

The startup has raised about US$400,000 in both grants and investments from Media Development Authority (MDA) Singapore under the i-jump scheme, SPRING Singapore, and the National University of Singapore – the founders’ alma mater.

“The Zopim team and culture attracted us to the company as much as their product. They continued to laugh at our jokes even after the deal got signed, so it seems like the feeling is mutual,” wrote Adrian McDermott, SVP of product development, on the Zendesk blog.

Zendesk’s 5.1 filings noted that the US company made $73 million in revenues in 2013, a 45 percent growth over 2012. Its net losses were at $24.4 million and $22.6 million in 2012 and 2013 respectively. It has not revealed the IPO’s price per share.

(See more: The Story of Zopim: Struggle and Sacrifice on the Way to Startup Success)

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