

The Implications of Twilio's Multibillion Dollar Acquisition of SendGrid

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Twilio, the “[mightiest unicorn](#)” of Silicon Valley, first went public in 2016 at a \$1.2 billion valuation. Just last week, the company was soaring with a valuation of \$11.2 billion. Twilio is a developer-centric communications platform focused on providing easy access to global telecommunications companies. This is accomplished by turning archaic and decentralized services into a convenient one-stop shop. The company started off with simple APIs for messaging, phone calls, and recording but has since expanded to upwards of fifty different APIs for all types of services.

SendGrid is another communications platform, originally debuting at \$700 million but currently valued at around \$2 billion. In contrast to Twilio, SendGrid services email. This is the claimed “missing channel from Twilio” that Twilio CEO Jeff Lawson says the company has been trying to avoid. Following a ski trip full of cloud and business software leaders sharing a common investor, Bessemer Venture Partners, SendGrid CEO Sameer Dholakia and Lawson came to an [agreement](#). Twilio had made bids for SendGrid since 2017, but all were rejected by Dholakia because he thought the “offers [were not] good enough” and would rather continue with their planned IPO. Now, with an accepted offer of [\\$2 billion in an all-stock transaction](#), Twilio's acquisition of SendGrid allows them to expand their market into email and other Internet communication. Lawson already considers his company an irreplaceable “super-network” of communications “light years ahead” of their competitive field. If the acquisition comes to fruition—as it is currently pending authorization by the SEC—Twilio will become “the unquestioned platform of choice for all companies looking to transform their customer engagement.”

The marriage of these two companies reveals the drive for a ubiquitous communications platform for developers and entrepreneurs, who would much rather spend time innovating than slogging through mundane tasks of setting up robust communication channels. Built on a similar idea to Amazon's AWS (cloud computing services), Twilio is one of the many companies offering up infrastructure-as-a-platform, which saves smaller developers the time and capital by chalking up their economies of scale at a fraction of the cost it takes to build an independent network. Twilio has already brought in [\\$168.9 million](#) from their latest quarter's financials by servicing around 60,000 active customers, including technology giants Uber, Airbnb, Yelp, Facebook, and Netflix.

In 2016, JP Morgan analyst Mark Murphy commented that “it is very possible that Twilio will compound its growth nicely for many years to come.” And indeed, in the three years since Twilio has been public, their dominance illuminates their path to becoming a lasting pillar in the technology industry. So long as companies retain the need to communicate with customers, Twilio's service will remain an economically relevant choice.

