



Global Software Sector Update

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Industry Insights

Fall 2023



Executive Summary

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Deal Volume on Track to Surpass Pre-2021 Levels Despite Significant Drop in Deal Value



Q3 2023 Deal Activity 12% below Last Year's Activity but 10% above Long-Term Average of 431 Deals per Quarter



SaaS Companies' EV/NTM Revenue Multiples Mostly Flat Since Considerable Decline from COVID-19 Highs

Key Market Updates

Higher for longer — three simple words that marked a disappointing conclusion to Q3 as expectations diminish for a return to more accommodating monetary policy. Recent economic data points to ongoing tension in labor markets and the Fed is signaling they will continue to be cautious in the fight against inflation. This dampened the outlook for a software market that was energized by public markets recovery and ongoing AI hype built up over the summer.

Underlying trends from the year-to-date that are expected to persist into 2024.

- Both buyers and sellers continue to tread with caution, with notable exceptions for the best performing and positioned, assets which continue to attract intense competition.
- Smaller, more strategic and easier to digest acquisitions, as demonstrated by Q3 deal volume (477) which has remained steady in the face of declining disclosed values.
- Underpriced public assets of scale arguably remain the most attractive targets, as evidenced by the subdued but steady state of deals throughout the year, including the acquisitions of both Splunk and New Relic, two of the largest deals in recent months.
- The hurdle for new investments has remained high for financial sponsors, with retention profile and capital efficiency carrying even more weight in assessments.

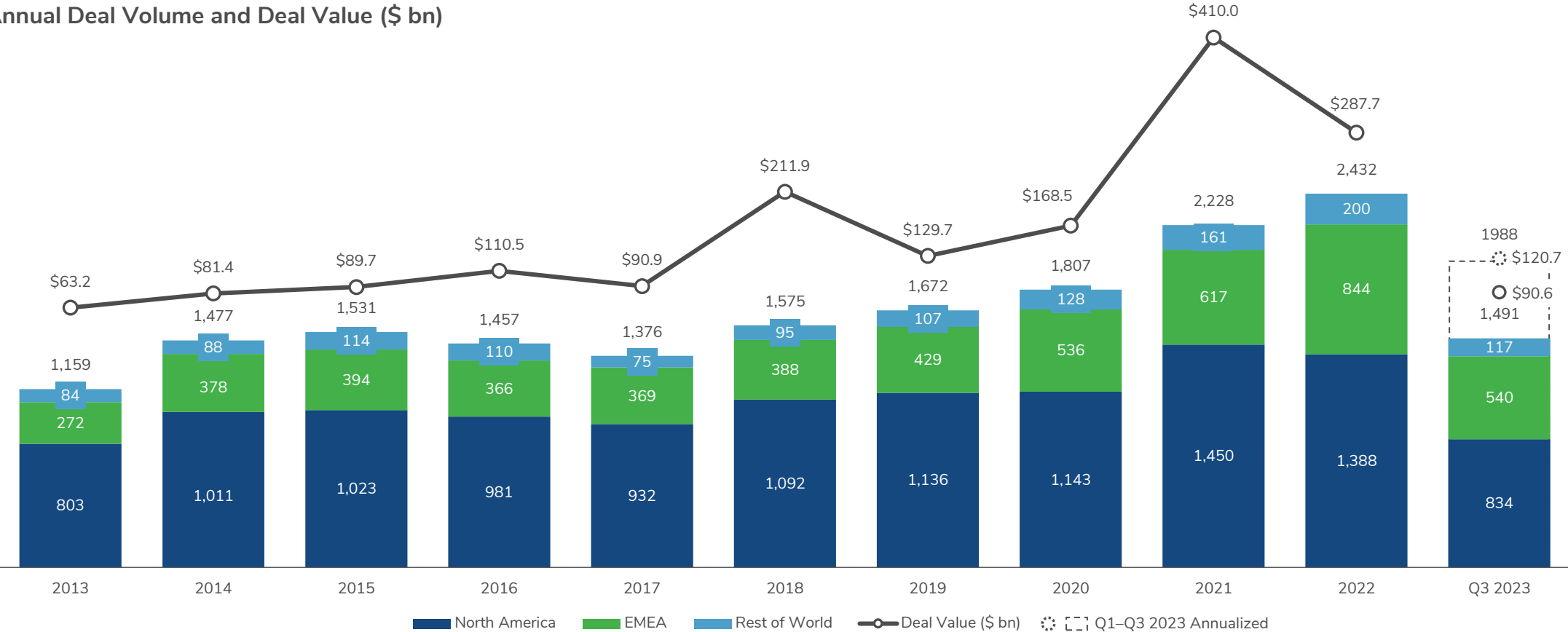
There is no doubt that the current “risk off” sentiment combined with rising returns on safe harbor assets will continue to weigh heavily on software M&A enthusiasm near term. However, there are some silver linings.

- A clear bottleneck is building up — both on the demand side, as accumulated dry powder and big-tech war chests are sitting idle, and on the supply side, as a long tail of businesses are coming out operationally stronger after 12–18 months of consolidation.
- The recent IPOs of ARM, Instacart and Klaviyo, while having failed to ignite further momentum, point to early signs of optimism. Ironically, the stronger signal of a US economic slowdown and the long-anticipated softening of the Fed's stance may prove to be the spark that brings back momentum in deal activity.

Deal Volume on Track to Surpass Pre-2021 Levels Despite Significant Drop in Deal Value

EMEA Deal Volume Has Already Surpassed Pre-2021 Levels after Just Three Quarters in 2023

Annual Deal Volume and Deal Value (\$ bn)



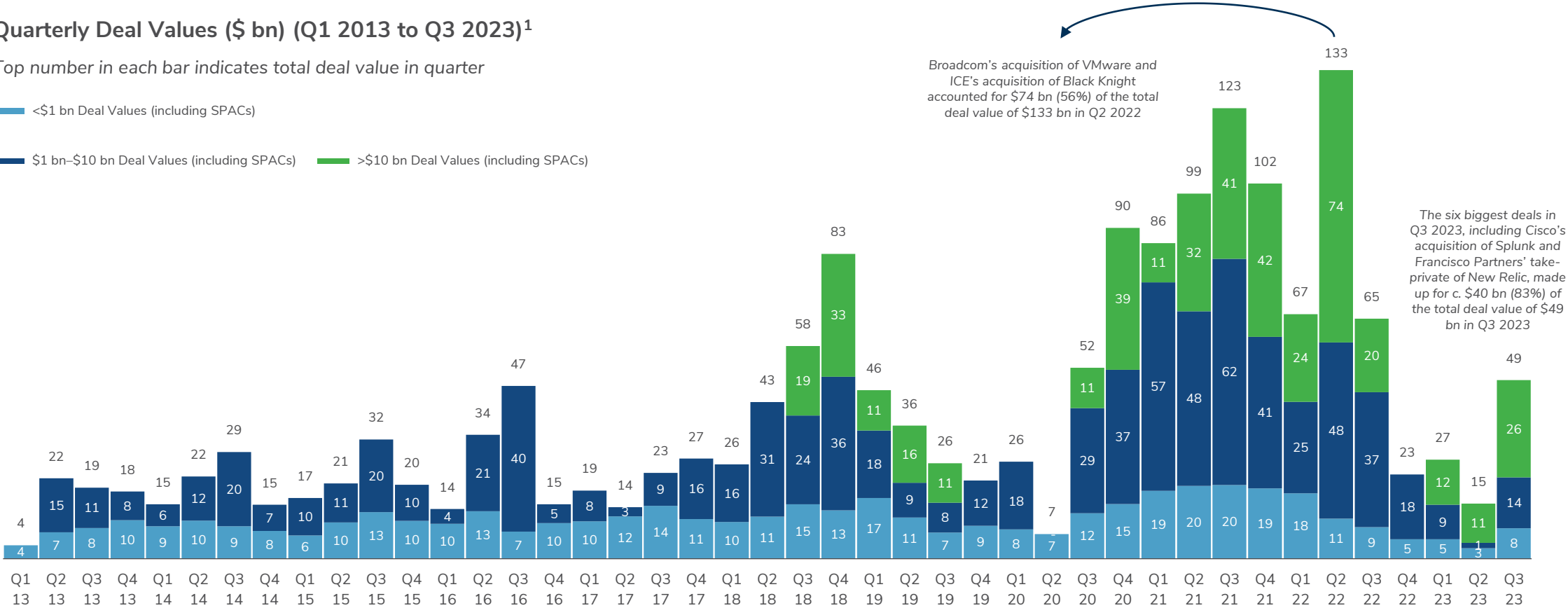
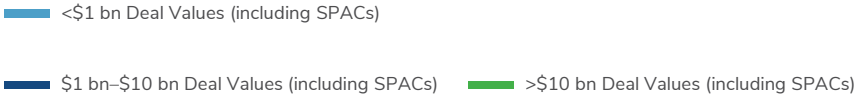
Source: 451 Research as of September 30, 2023

Deal Values for <\$1 bn Rebounded from Decade Low in Q2 2023

Large Ticket Deals Continue to Make Up Most of the Deal Value in 2023

Quarterly Deal Values (\$ bn) (Q1 2013 to Q3 2023)¹

Top number in each bar indicates total deal value in quarter



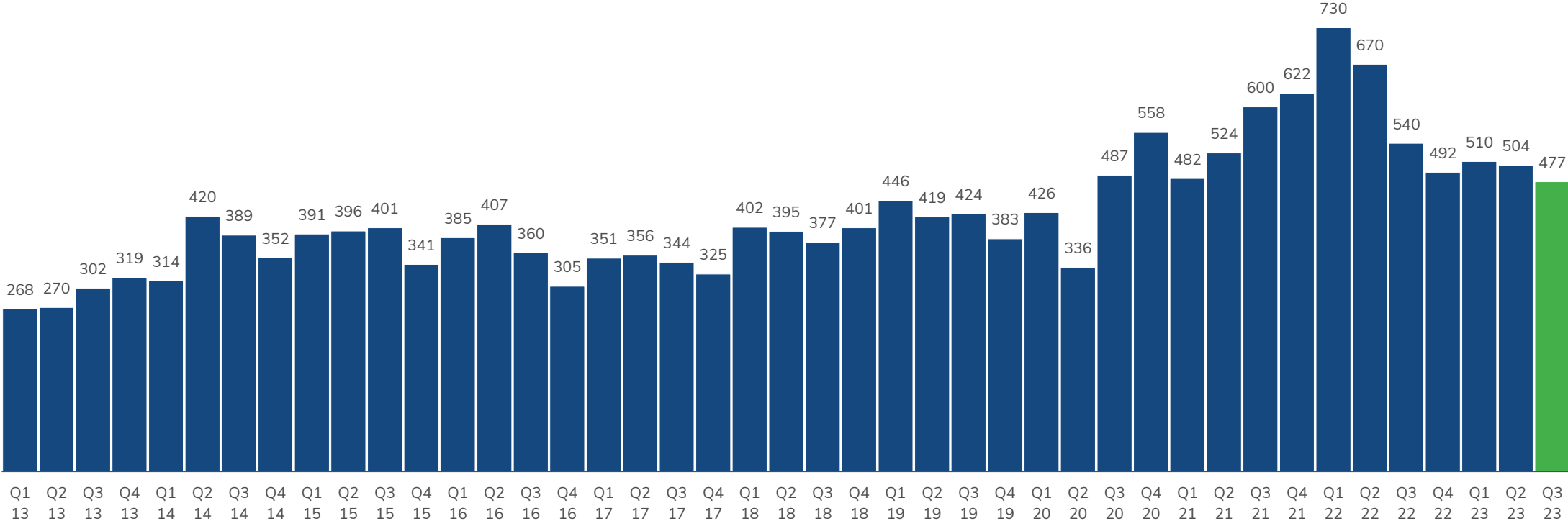
¹Between January 1, 2013, and September 30, 2023; SPAC = Special Purpose Acquisition Company
Source: 451 Research as of September 30, 2023

Deal Activity (# of Deals) Holding Steady at around 500 Deals per Quarter

Q2 2023 Deal Activity Was 12% below Last Year's Activity but 10% above the Long-Term Average of 431 Deals

Quarterly Deal Volume (Q1 2012 to Q3 2023)¹

Top number in each bar indicates total deal volumes in quarter



¹Between January 1, 2012, and September 30, 2023
Source: 451 Research as of September 30, 2023

Top Six Software Acquisitions over Q3 2023 by Deal Value

September 2023

splunk
acquired by

CISCO

\$26.4 bn 7.5x

Splunk provides machine-to-machine IT systems, cybersecurity, and application performance management SaaS for businesses globally. The software enables business intelligence, predictive analytics, monitoring, management of applications, IT operations and security.

The long-considered deal represents Cisco's latest—and, by far, largest—effort to diversify away from the 39-year-old company's hardware origins and into the more profitable software business. The acquisition builds on Splunk's heritage of helping organizations enhance their digital resilience and will accelerate Cisco's strategy to securely connect everything to make anything possible. The combination of these two established leaders in AI, security and observability will help make organizations more secure and resilient.

July 2023

new relic
acquired by

FP FRANCISCO PARTNERS **TPG**

\$6.0 bn 6.2x

New Relic provides web and mobile application; and server performance monitoring and management SaaS, APIs, SDK; and related mobile application for businesses globally. Software provides features for analytics, infrastructure monitoring, browser monitoring, log management and security.

New Relic is a pioneer in the observability market, providing developers and engineers with a unified platform. As technology continues to become more feature rich and AI enabled, the need for visibility is increasing. New Relic has made significant progress on its consumption business transition and, together with Francisco Partners and TPG, it will have the resources and flexibility to not only complete the final chapter of this transition, but also accelerate its strategy and provide customers with a standardized data-driven practice.

July 2023

imperva
acquired by

THALES

\$3.6 bn 6.1x

Imperva provides database, file and web application security software and SaaS, APIs, and SDKs for businesses globally. Software provides features for activity monitoring, network security, real-time protection, risk management, documentation, integration, data security, data governance, data compliance, application security, analytics data encryption and cryptographic capabilities.

Thales' reach for Imperva complements its overall data security strategy to identify steady, proven industry players and improve wallet share among enterprises governed by increasing privacy regulations and confidentiality obligations. Imperva's database monitoring capabilities should align well with Thales' data security offerings to better protect data and the underlying database systems.

July 2023

Kahoot!
acquired by

Goldman Sachs **Asset Management**

\$1.7 bn 10.8x

Kahoot! provides AI-powered educational gaming SaaS, mobile applications, and related e-learning services for teachers, students, individuals, and organizations globally. Users of www.kahoot.com can create, share, and play learning games and trivia quizzes and assess learning progress in real time.

Kahoot! is unlocking learning potential for children, students and employees across the world. The company has a clear mission and value proposition, and the investment will help to grow Kahoot!'s impact and accelerate value for all stakeholders. Goldman Sachs will continue to support the current leadership team and group of co-investors to expand a mission-critical learning and engagement platform and contribute to its further growth and innovation.

September 2023

nextgen
acquired by

THOMABRAVO

\$1.5 bn 2.3x

NextGen Healthcare provides EMR and practice management SaaS, open APIs and SDKs, and related mobile application for businesses in the healthcare sector in the U.S. Software provides features for EHR, patient engagement, financial management, medical billing, payments management, integrated clinical care, data and analytics, revenue cycle management, and EDI. It also provides managed cloud hosting, clinical document abstraction, training and certification, IT support and consulting, systems review and transcription and scribe services.

Thoma Bravo's strategic and operational expertise will help NextGen drive continued growth. In addition, the investment will further facilitate product innovation to better support the increasingly complex needs of ambulatory providers and, ultimately, improve patient outcomes.

August 2023

SYNTELLIS
acquired by

Roper TECHNOLOGIES

\$1.2 bn N/A

Syntellis provides data science and AI-based enterprise performance management and data intelligence SaaS and related APIs for businesses in the healthcare, higher education and financial sectors in the U.S.

Syntellis is a business that meets all of Roper's acquisition criteria, including niche market leadership, mission-critical solutions, a high recurring revenue mix, strong customer retention, negative working capital, and excellent cash conversion. It will be combined with Roper's Strata Decision Technology business, a provider of healthcare financial planning, decision support, and performance management solutions. Bringing together Strata and Syntellis will enhance the innovation and value that can be delivered to their combined customer base.

API = Application Programming Interface, EHR = Electronic Health Record, EDI = Electronic Data Interchange
 EMR = Electronic Medical Records, SDK = Software Development Kit, LTM = Last Twelve Months
 All trademarks, trade names, or logos referenced herein are the property of their respective owners.
 Source: 451 Research, Mergermarket Press Releases as of September 30, 2023



Other Notable Software Deals during Q3 2023

Strategic Deals (Q3 2023)

Date	Target	Acquirer	Deal Value and Multiple ¹	Target Abstract
Jun-23	COR EVITAS Excellence in Evidence	ThermoFisher SCIENTIFIC	\$913 mn N/A	Clinical data intelligence SaaS
Jul-23	routemobile com wix.com shopify	proximus	\$721 mn 2.9x	Enterprise CXPaaS provider
Jul-23	optimalblue	Perseus Group Commercial Software Inc.	\$700 mn N/A	Mortgage pricing & marketing SaaS
Aug-23	Burgiss	MSCI	\$697 mn N/A	Investment data analytics SaaS
Jul-23	fm:systems	Johnson Controls	\$455 mn N/A	Workspace management SaaS
Jul-23	GfK Consumer panel business	YouGov	\$343 mn N/A	FMCG shoppers' behavior analytics SaaS
Jul-23	Reliance Communications	PowerSchool	\$300 mn N/A	School unified communication SaaS
Jul-23	Dialogue	Sun Life	\$201 mn 3.2x	Healthcare & wellness management SaaS
Aug-23	wgtwo	CISCO	\$150 mn N/A	Mobile core network management SaaS
Aug-23	tagger	sproutsocial	\$140 mn N/A	Influencer marketing & social intelligence SaaS
Jul-23	Scibids	DV DoubleVerify	\$125 mn N/A	Digital advertising campaigns optimization SaaS

PE Deals² (Q3 2023)

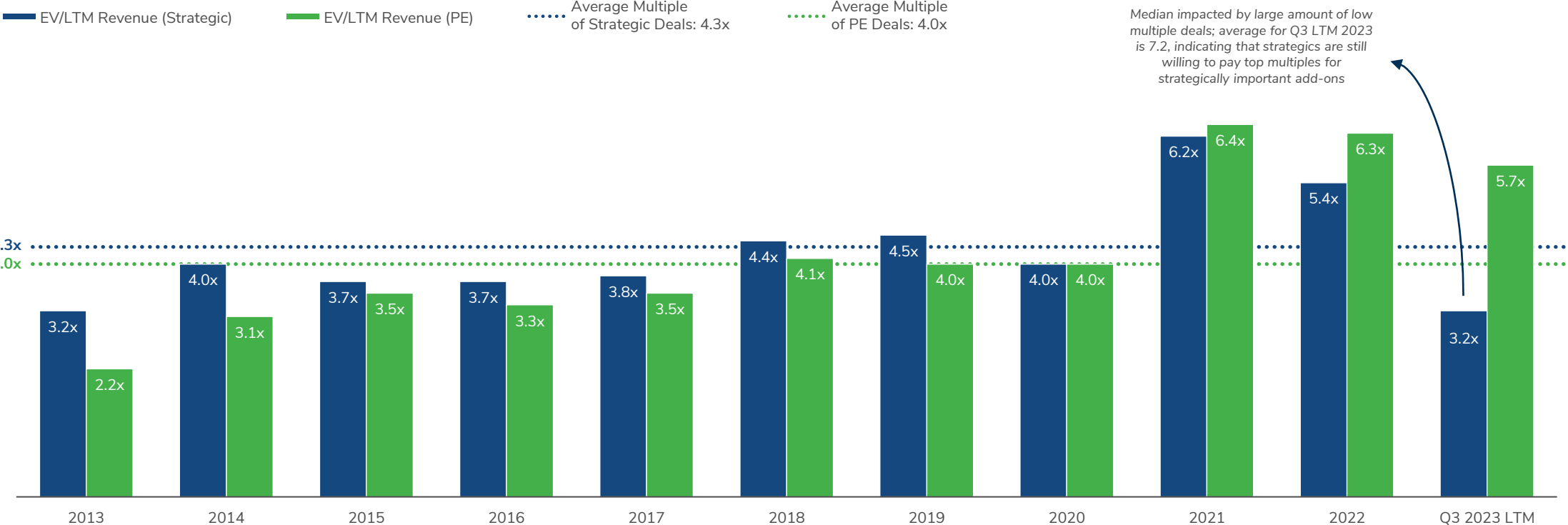
Date	Target	Acquirer ²	Deal Value and Multiple ¹	Target Abstract
Jul-23	Nextech	TPG	\$1,400 mn N/A	Digital asset management & traceability SaaS
Aug-23	NChain	AYRE GROUP	\$574 mn N/A	Digital asset management & traceability SaaS
Sep-23	EXOSTAR	A C P	\$425 mn 5.3x	Secure enterprise & supply chain collaboration SaaS
Sep-23	Commify	eci	\$323 mn N/A	Business messaging & voice CPaaS
Aug-23	TabulaRasa HealthCare	EXACTCARE NAUTIC	\$269 mn 1.6x	Medication risk management SaaS
Aug-23	Instem	ARCHIMED	\$240 mn N/A	Data management & analytics SaaS
Jul-23	toonboom	imc TPG	\$111 mn N/A	Animation production & storyboarding SaaS

CXPaaS = Customer Experience Platform as a Service, CPaaS = Communications Platform as a Service, FMCG = Fast-Moving Consumer Goods; 1 Deal Multiple = Enterprise Value/LTM Revenue, unless otherwise specified; 2 PE deals include acquisitions made by PE-backed strategics, whose owners are indicated below the gray line, and exclude deals involving SPAC vehicles; All trademarks, trade names or logos referenced herein are the property of their respective owners.
Source: 451 Research as of September 30, 2023

Strategics Have Dropped below the Long-Term Average, while PEs Are Returning at a Slower Rate due to Several Take-Privates

However Strategic Multiples for Best Performing Assets' Still Significantly above Long-Term Average

Annual Median Deal Multiples

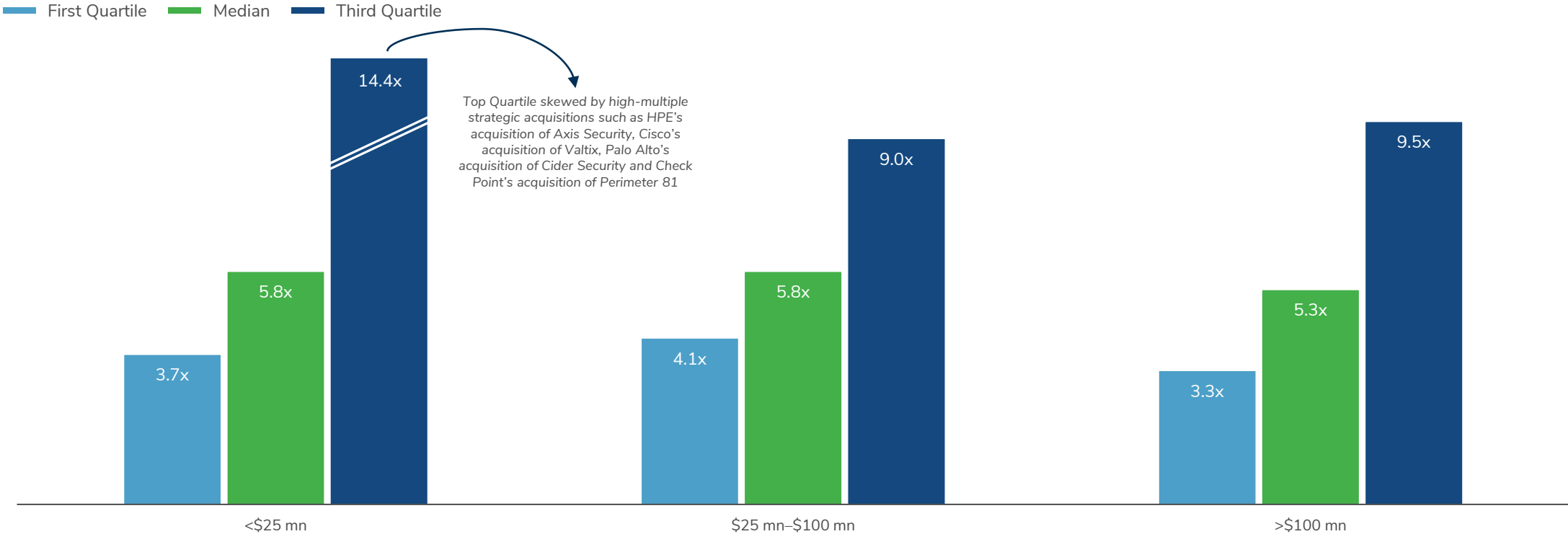


EV = Enterprise Value or Market Capitalization + Total Debt – Cash; LTM = Last 12 Months
 PE deals include acquisitions made by PE-backed strategics.
 Source: 451 Research as of September 30, 2023

SaaS Deal Multiples by Quartile and Target Revenue

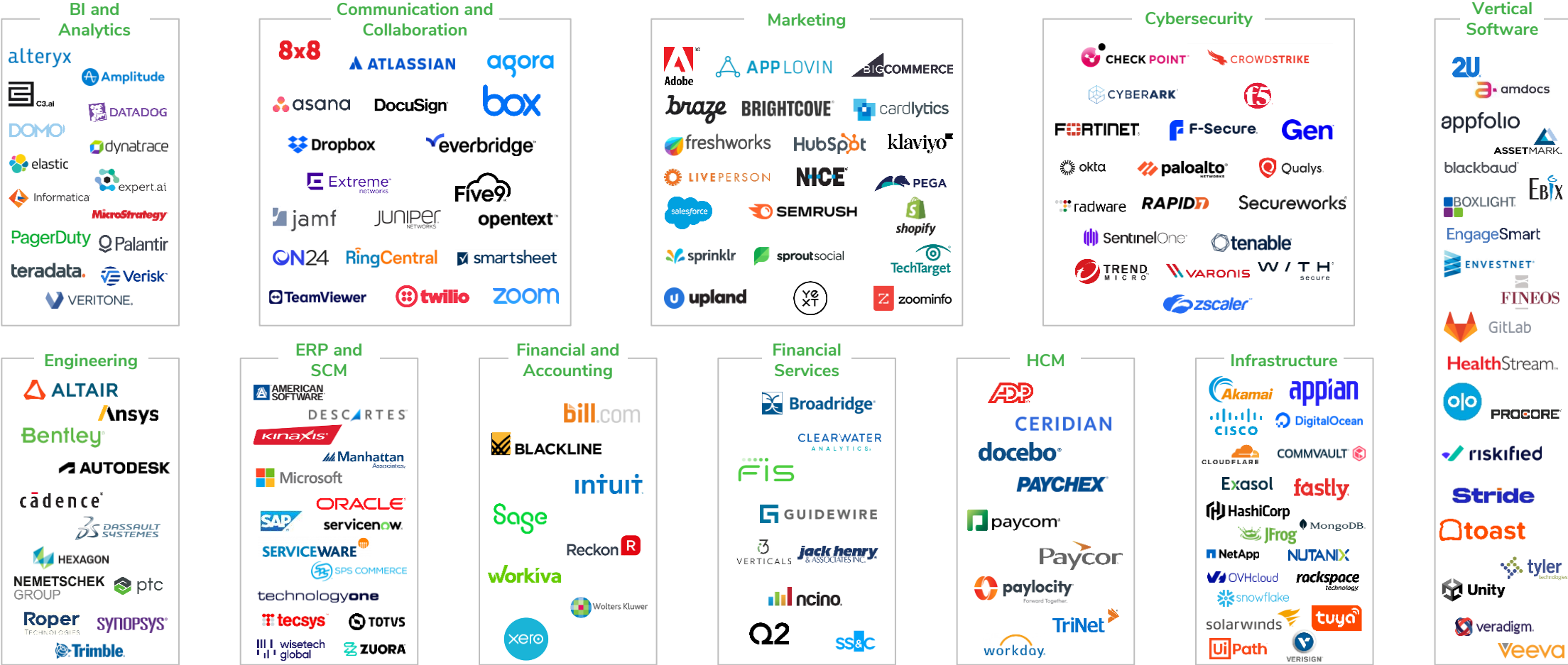
Third-Quartile Multiples Command Average Premiums of 57%–151% vs. Median

Deal Multiples Quartiles by Target LTM Revenue



Transactions selected are based on the following parameters: (i) target company with SaaS business model; (ii) transaction announced between September 30, 2021, and September 30, 2023; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions.
Source: 451 Research and Mergermarket as of September 30, 2023

Our Technology M&A Practice Tracked Software Universe

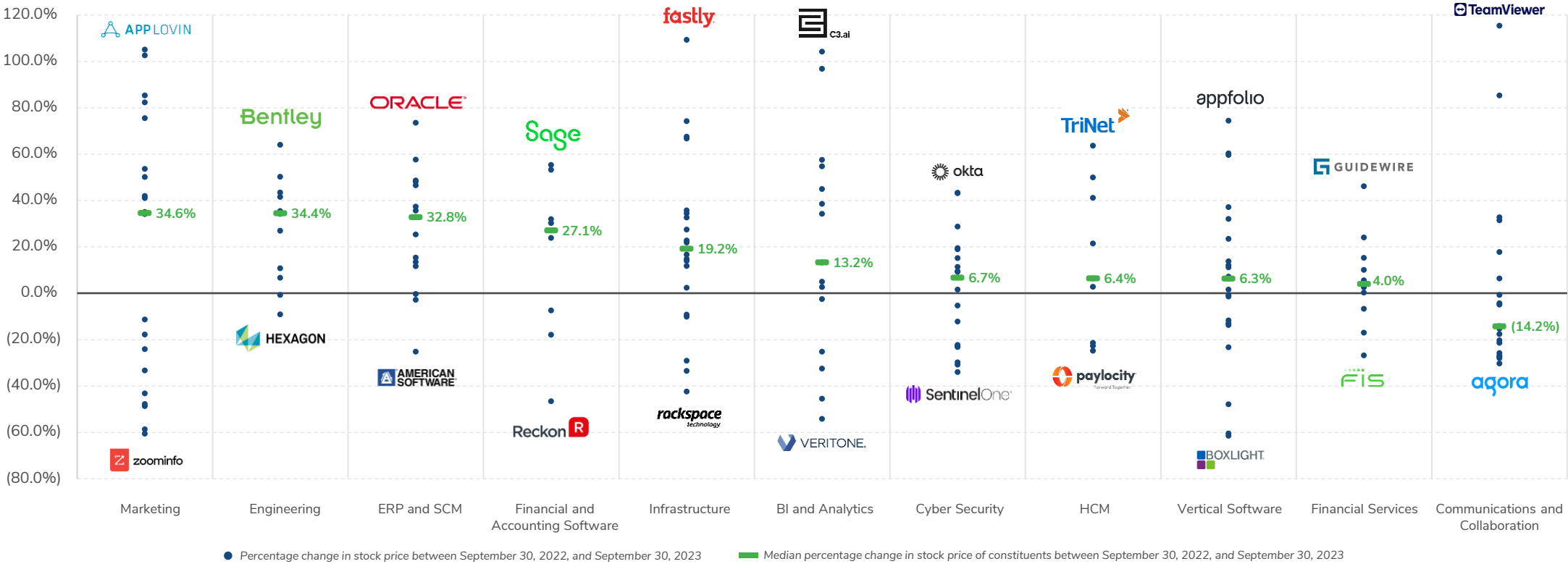


BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management
 Source: S&P Global Market Intelligence as of September 30, 2023, including the most actively traded software companies for respective covered sectors and excluding most microcap companies.
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Last 12 Months Performance of Stock Prices

Significant Differences between High and Low Performing Categories within the Past 12 Months

Performance of Our Technology M&A Practice Tracked Software Universe between September 30, 2022, and September 30, 2023

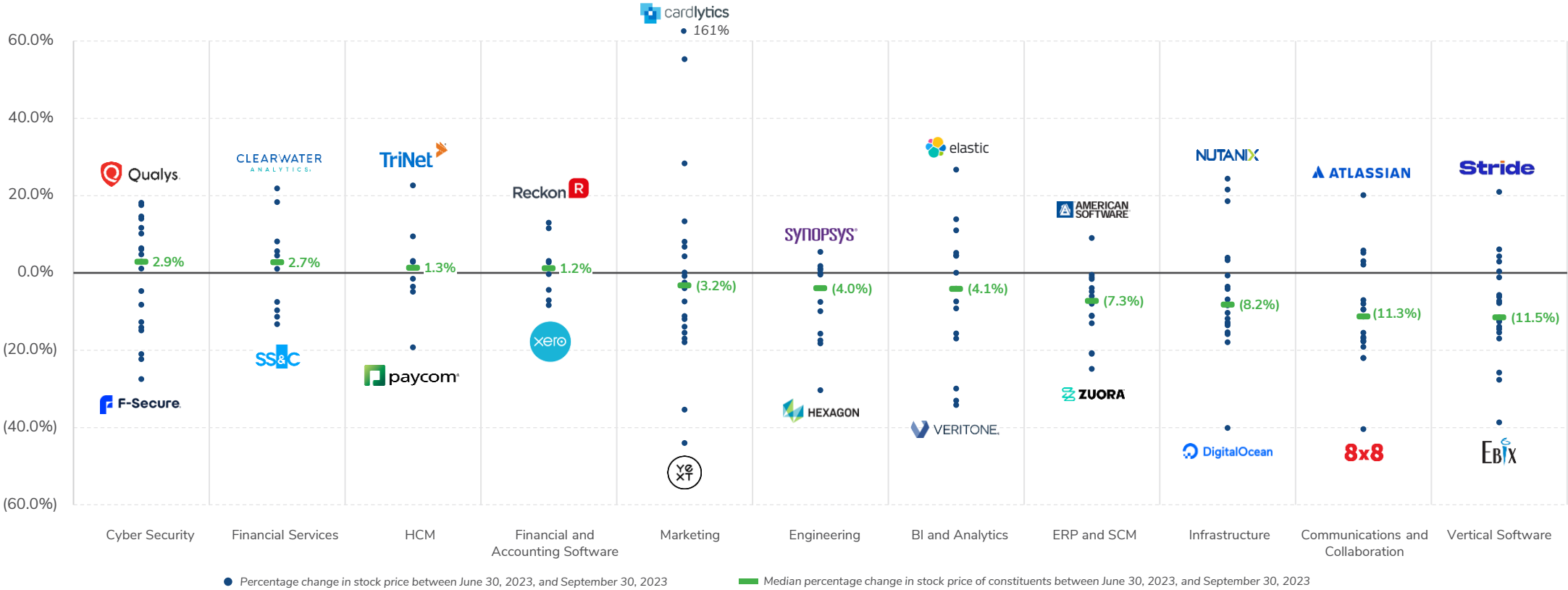


BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Does not include companies listed post September 30, 2022; Buckets ordered by median percentage change in stock price between September 30, 2022, and September 30, 2023; All trademarks, trade names, or logos referenced herein are the property of their respective owners. Source: Capital IQ as of September 30, 2023

Quarterly Performance of Stock Prices

Most Software Sectors Declined Considerably during the Last Quarter, with Only Slight Gains for the Best Performers

Performance of Our Technology M&A Practice Tracked Software Universe between June 30, 2023, and September 30, 2023

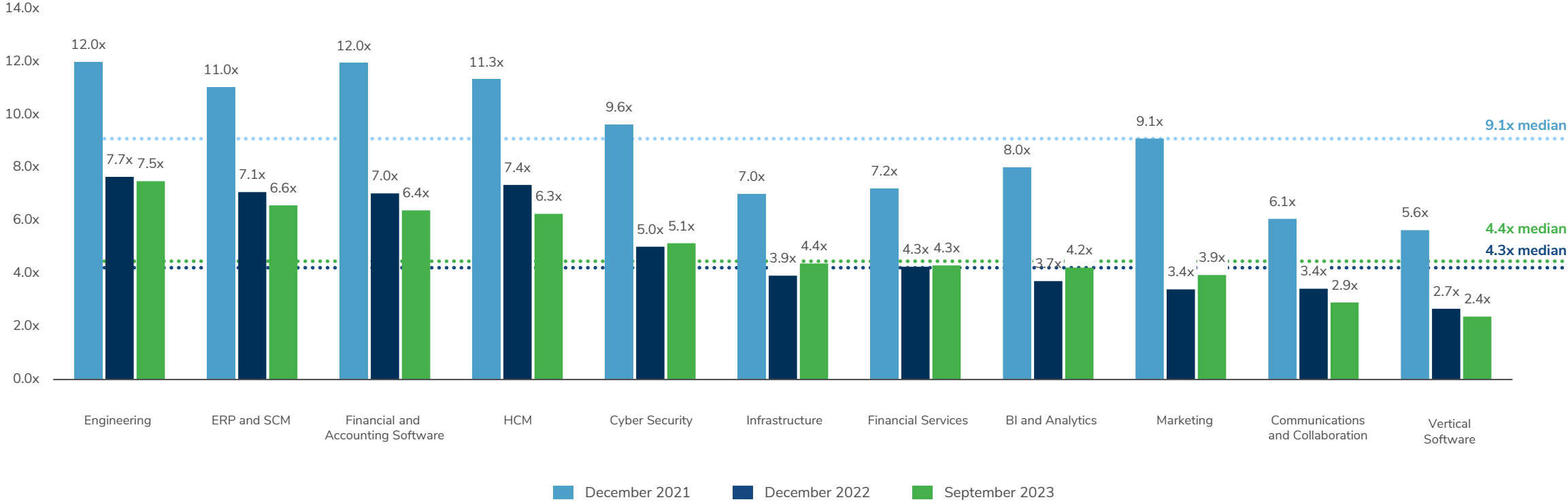


BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Does not include companies listed post June 30, 2023; Buckets ordered by median percentage change in stock price between June 30, 2023, and September 30, 2023; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of September 30, 2023

Sector Multiples Across Subsectors Have Not Recovered from Significant Decline in 2022

Spread between Highest Valuation Category and Lowest Valuation Category in 2023 Stayed Similar to 2022

EV/Forward Revenue Multiples, December 2021 vs. December 2022 vs. September 2023



BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Buckets ordered by September 2023 revenue multiples
 Source: Capital IQ as of September 30, 2023

SaaS Companies' EV/NTM Multiples Mostly Flat Since Considerable Decline from COVID-19 Highs

Bottom Quartile Fluctuated between 2.5x and 3.2x and Top Quartile between 7.1x and 8.7x EV/NTM Revenue during the Last 12 Months

Performance of Our Technology M&A Practice SaaS Index over the Past 15 Years

EV/Next 12 Months Revenue

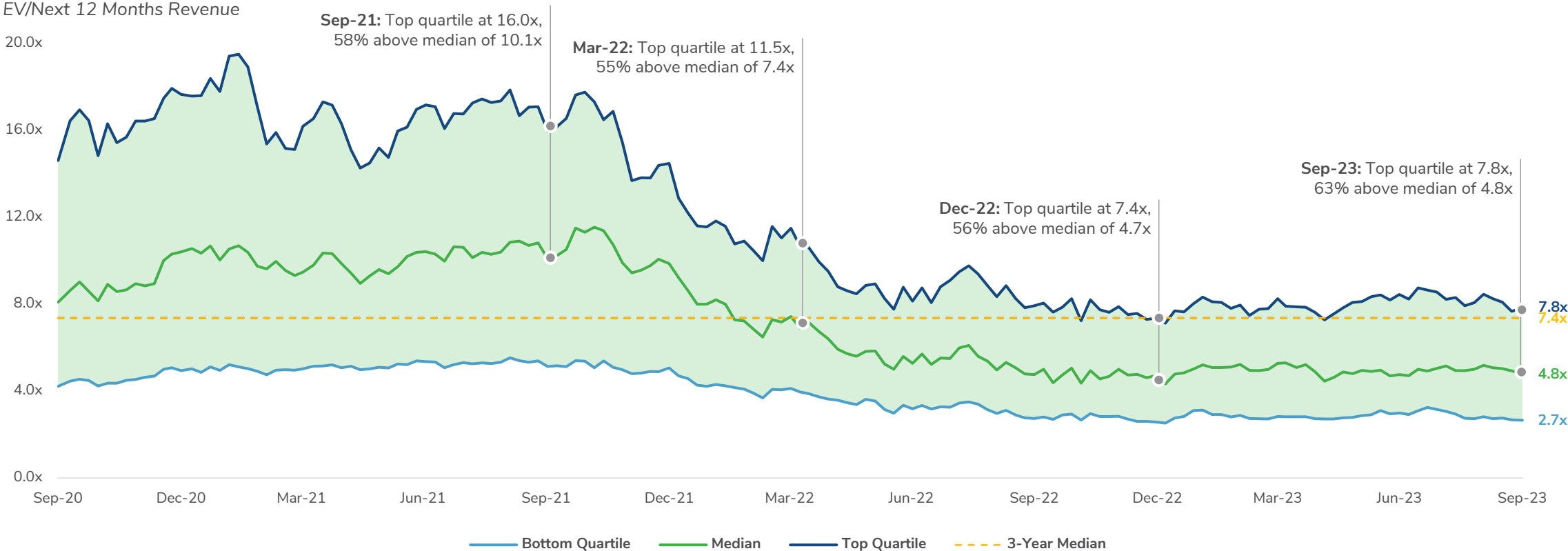


Our Technology M&A Practice SaaS Index includes 169 companies that offer SaaS solutions
 Source: Capital IQ as of September 30, 2023

Relative Premium of Top Quartiles to Median Stable over the Last Two Years

Top Quartile Premium around 60% Compared to Median, Even during Last Phase of COVID-19 Highs

Performance of Our Technology M&A Practice SaaS Index over the Past Three Years





Our Technology M&A Practice SaaS Index includes 169 companies that offer SaaS solutions
 Source: Capital IQ as of September 30, 2023

Select Recent Kroll Technology M&A Transactions


has been acquired by

May 2023


has been acquired by

March 2023


has been acquired by

December 2022


has been acquired by

September 2022


has received majority investment from

July 2022


has been acquired by

July 2022


has been acquired by

July 2022


has received majority investment from

June 2022


has been acquired by

May 2022


has been acquired by

April 2022


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Key Subsectors of Focus for Our Technology M&A Practice

Verticals of Focus

 Real Estate & Construction	 a business division of AIA has been acquired by TRUE WIND	 has been acquired by GALLANT CAPITAL	 has been acquired by ARCORO	 has received growth equity investment from SPECTRUM EQUITY
 Financial Services	 has been acquired by insurity	 has been acquired by Enterprise Software Investors	 has been acquired by paya	 has received funding from AKKR
 Health Care	 has been acquired by AEA GROWTH	 has been acquired by WebMD a subsidiary of ib Internet Brands	 has been acquired by Netsmart	 has been acquired by Canon
 Retail & Commerce	 has been acquired by Sage	 has been acquired by THE HOME DEPOT	 has been acquired by Numerator	 has been acquired by instacart

Thematic Areas of Focus

 Data & Analytics	 has been acquired by AEA GROWTH	 has been acquired by GBG	 has been acquired by SILVERSMITH CAPITAL PARTNERS	 has been acquired by AUTODESK
 Marketing Tech	 has received a majority investment from ZMC ZELNICK MEDIA CAPITAL	 has been acquired by RHI GROUP	 has been acquired by SurveyMonkey	 has been acquired by rubicon PROJECT
 Cybersecurity	 has been acquired by ZIMPERIUM	 has been acquired by IMPERVA	 has been acquired by FORTINET	 has been acquired by LLRpartners
 Networking Tech	 has been acquired by ORACLE	 has been acquired by CISCO	 has been acquired by verizon	 has been acquired by solarwinds

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Distinguished Enterprise Software Franchise

Our Technology M&A Practice (formerly Pagemill Partners) has completed over 300 transactions, the majority of which are in enterprise software.

- Industry leaders leverage both SaaS and perpetual models, including companies with hybrid delivery models.
- Underlying technology architecture, reliance on third-party technologies and strategic partnerships, product roadmaps, and vertical go-to-market strategies are all important attributes that we have demonstrated experience in articulating and positioning.



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