

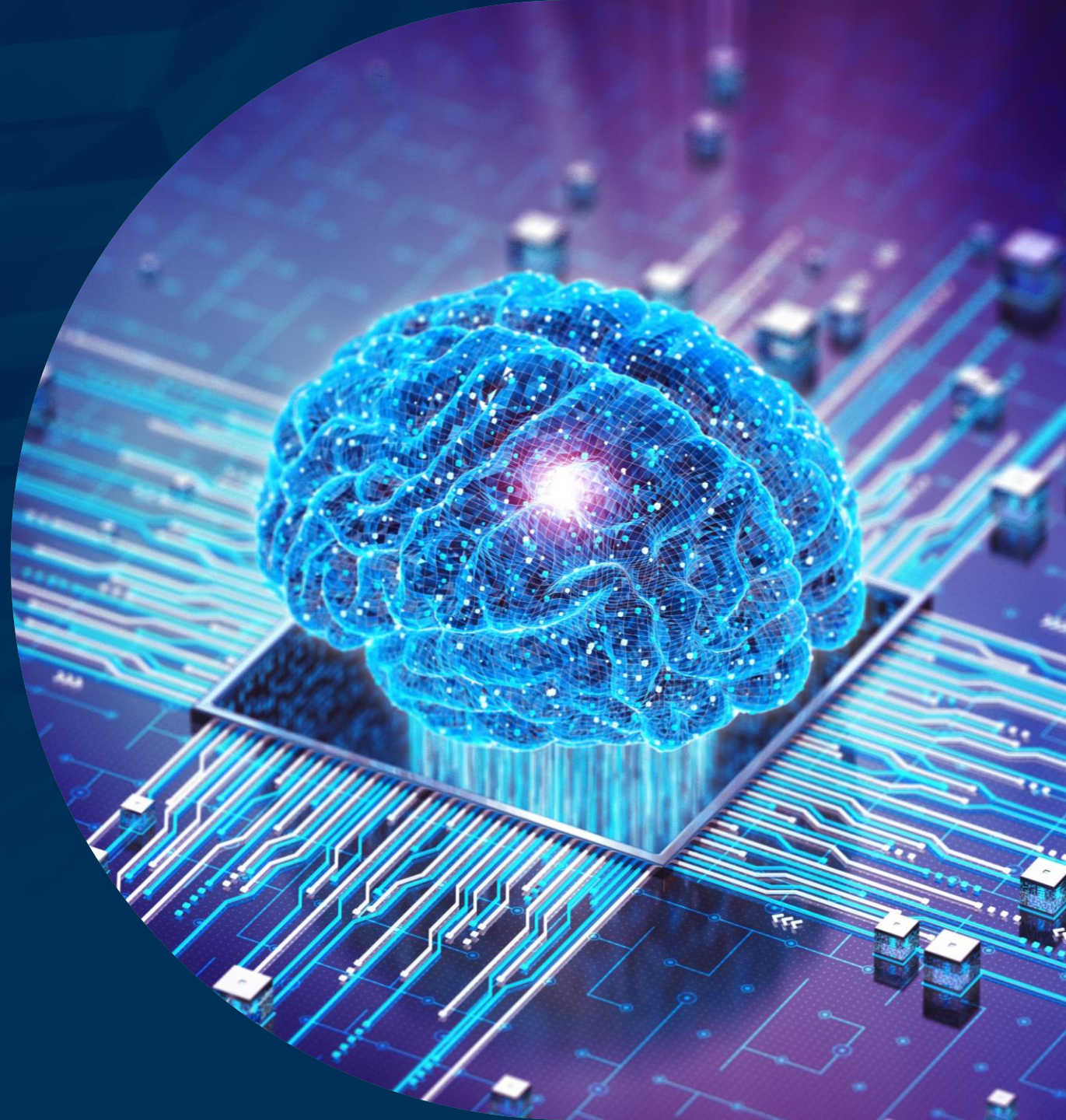
**KROLL**

# Global Software Sector Update

Industry Insights

Winter 2025

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Executive Summary

Executive Summary

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**Executive Summary**



2024 Deal Value Up 64% Compared to 2023, Despite a 4% Reduction in Number of Deals



2024 Ended on a Downbeat Note with a Slow Q4, Even with the \$10 Billion Acquisition of Altair by Siemens



Public EV/NTM Revenue Multiples Have Stabilized and Are Back above the 15-Year Median of 4.8x

# Key Market Updates

After a strong Q3 that continued into October, the software M&A market slowed in the last two months of Q4 2024 as the pendulum shifted toward smaller, bolt-on deal activity. This shift resulted in a 61% reduction in deal value versus Q3 2024 compared with an almost flat 2% reduction in number of deals. Deal volume was helped by a recovery in strategic M&A activity that resulted in 4% more strategic deals in Q4 versus Q3 2024 compared with a 13% reduction in private equity deals over the same period. The slowdown in private equity-led deal activity in November and December coincided with the US elections and a moderation of expectations for the pace of interest rate reductions by the Fed in 2025, and contrasts with an exceptionally busy Q3 where financial sponsors led the six largest software M&A deals.

Strategic M&A activity has been supported by a continued improvement in public equity markets, with another bump on median enterprise value to next 12 months revenue multiples from 5.0x to 5.2x over Q4 2024, bringing the median multiple back in line with the three-year average multiple and a slight premium to the 15-year average multiple of 4.8x. Notably during the quarter, the strongest performance in public equity valuation multiples came from the more cyclically exposed sectors of marketing (3.7x up from 3.0x) and human capital management software (6.2x up from 5.4x), as well as financial and accounting software (5.3x up from 4.2x), reflecting the continued strength in US labor markets and broader economic activity.

One theme throughout 2024 has been the continued momentum in generative AI infrastructure build-out, most notably by the large cloud companies Alphabet, Amazon, Microsoft and Oracle, who S&P estimate collectively invested \$194 billion in capex over the year, up 52% over 2023. This has come at the expense of spending on M&A, with a combined two deals between them in 2024. However, the recent launch of DeepSeek shows what can be accomplished with much more limited capex, and this may help to rebalance capital allocation towards strategic M&A again in 2025. Another factor no doubt has been an active regulatory climate in which several pending M&A deals have been blocked. Expectations for a softening approach to regulatory oversight under the new US administration could lead to a resurgence in larger ticket strategic M&A in 2025.

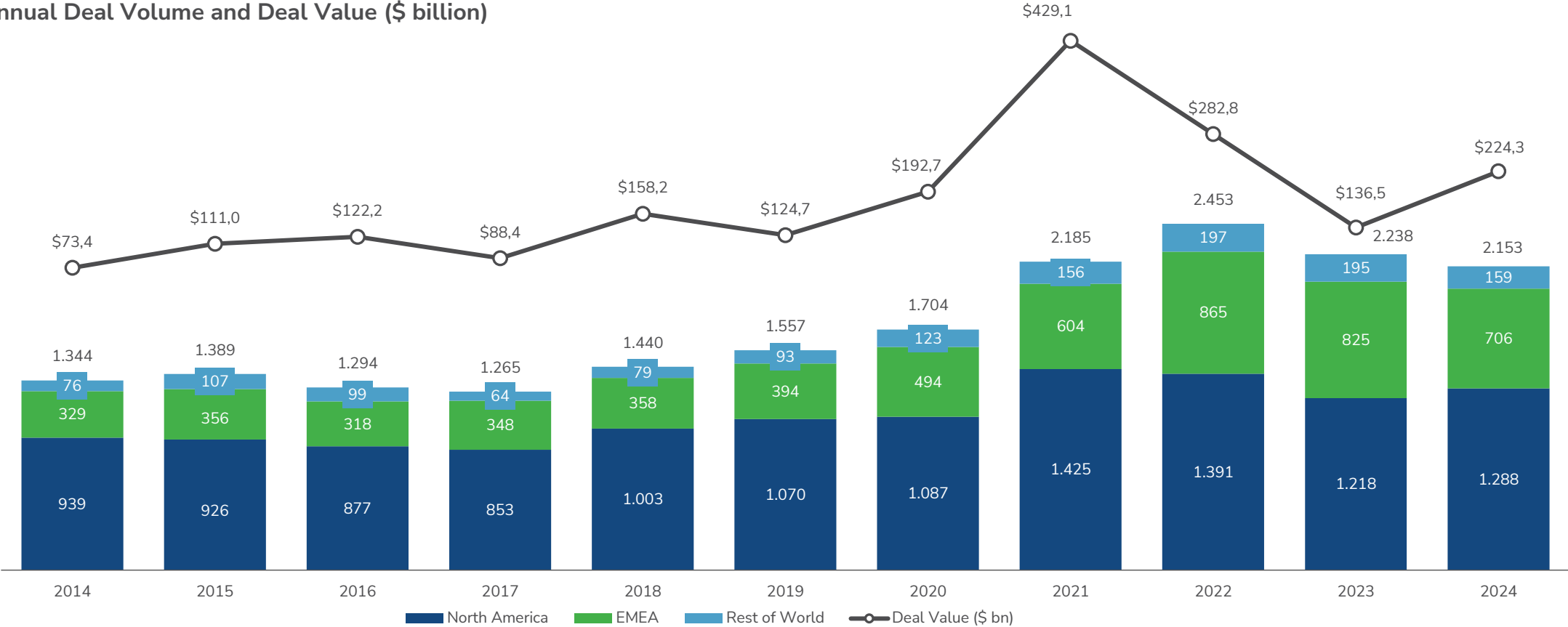
Heading into the final weeks of 2024 the M&A market continued to be polarized, with highest quality assets attracting intense competition from both private equity and strategic bidders resulting in strong valuations. Caution and a lack of conviction was the prevailing theme across the rest of the market. As we move into 2025 there are solid foundations for an improvement in strategic and private equity deal activity buoyed by supportive public equity markets, a more deal-friendly regulatory regime in the US, and the growing pressure on private equity funds to deploy and return capital.

*Source: Pitchbook, 451 Research, Capital IQ as of December 31, 2024*

# 2024 Deal Value Up 64% Compared to 2023, Despite a 4% Reduction in Number of Deals

Deal Value in 2024 Was the Third Highest in the Last Decade

Annual Deal Volume and Deal Value (\$ billion)



Source: 451 Research and Mergermarket as of December 31, 2024



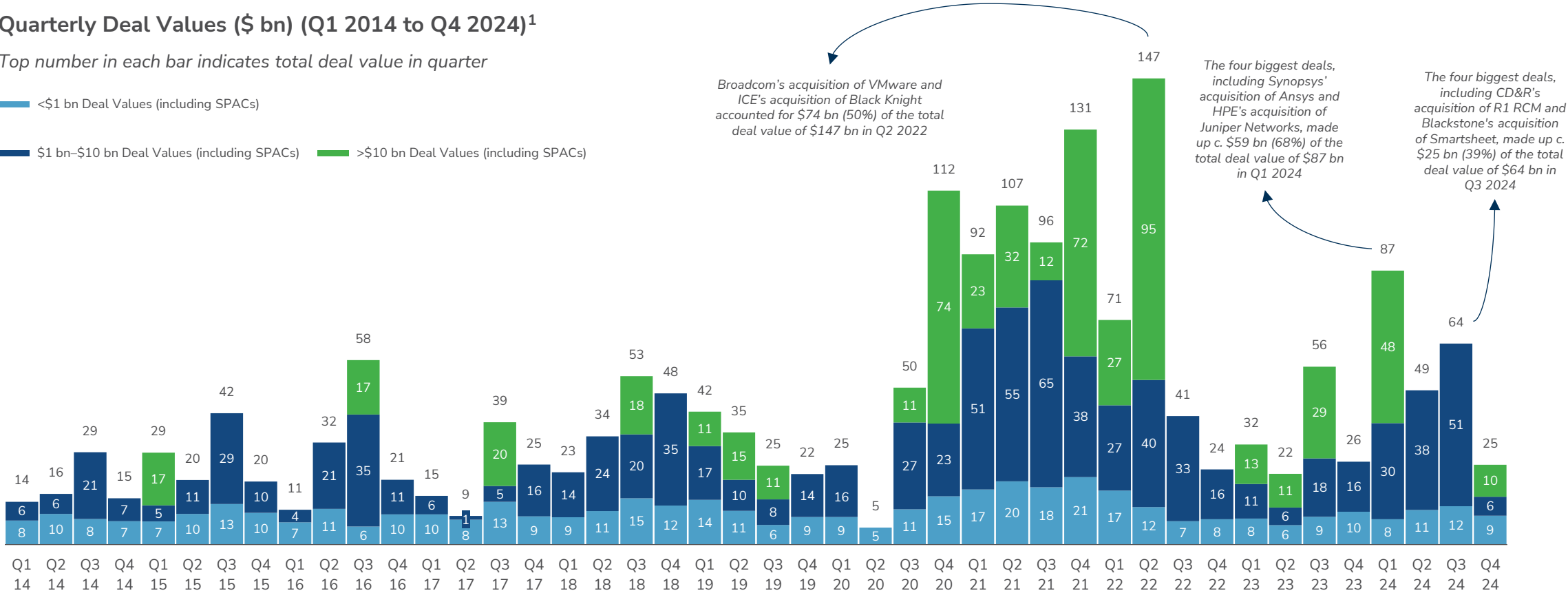
# 2024 Ended on a Downbeat Note with a Slow Q4, Even with the \$10 Billion Acquisition of Altair by Siemens

Q4 Deal Value One of the Slowest Since the Pandemic

Quarterly Deal Values (\$ bn) (Q1 2014 to Q4 2024)<sup>1</sup>

Top number in each bar indicates total deal value in quarter

■ <\$1 bn Deal Values (including SPACs)
 ■ \$1 bn–\$10 bn Deal Values (including SPACs)
 ■ >\$10 bn Deal Values (including SPACs)



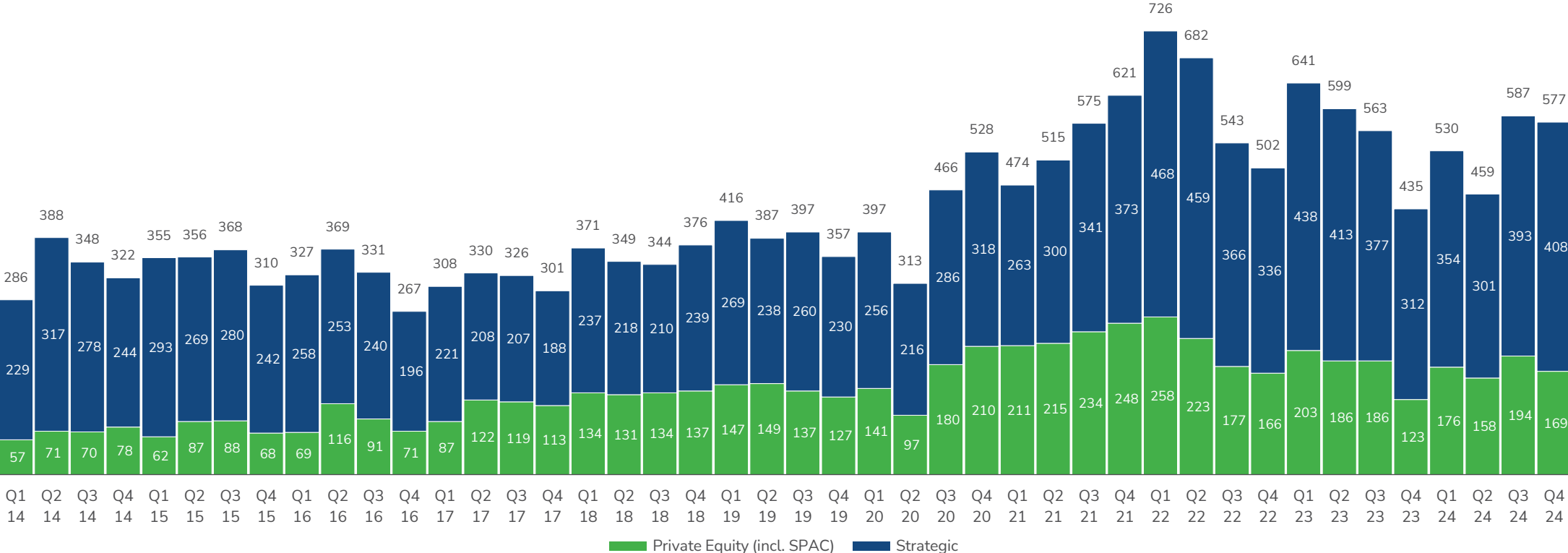
<sup>1</sup>Between January 1, 2014, and December 31, 2024; SPAC = Special Purpose Acquisition Company  
Source: 451 Research and Mergermarket as of December 31, 2024

# Second Half of 2024 Showed Increase of 18% in Deal Volume Compared to First Half of 2024

Q4 Deal Volume Was 34% above Long-Term Average of 432 Deals per Quarter

## Quarterly Deal Volume (Q1 2014 to Q4 2024)<sup>1</sup>


Top number in each bar indicates total deal volumes in quarter




<sup>1</sup>Between January 1, 2014, and December 31, 2024; Private Equity includes acquisitions made by PE-backed platforms  
Source: 451 Research and Mergermarket as of December 31, 2024

# Top Six Software Acquisitions over Q4 2024 by Enterprise Value

October 2024

 **ALTAIR**  
acquired by

 **SIEMENS**

**\$10.2 bn** **15.7x**

Altair Engineering provides computer-aided engineering, data analytics, and electronic design automation. The software has features for predictive analytics, modeling, simulation, visualization, optimization, product development, high-performance computing, IoT electronics design, engineering services and process automation.

Acquiring Altair marks a significant milestone for Siemens. This strategic investment aligns with its commitment to accelerate the digital and sustainability transformations of its customers by combining the real and digital worlds. The addition of Altair's capabilities in simulation, high performance computing, data science, and AI combined with Siemens Xcelerator will create a comprehensive AI-powered design and simulation portfolio.

December 2024<sup>(1)</sup>

 **ltg**  
acquired by

 **GENERAL ATLANTIC**

**\$1.2 bn** **1.8x**

Learning Technologies Group (LTG) provides digital learning and talent management software and services. The services include workforce development solutions, content creation, learning platforms, HR technology, recruitment tools, performance management, and analytics software to help organizations systematize employee development and transform workplace capabilities.

The acquisition empowers LTG to strengthen its position in digital learning and talent development, enabling accelerated investment in AI-powered solutions and strategic growth initiatives to better serve its global client base. Backed by General Atlantic's extensive technology expertise and capital resources, LTG will be able to pursue ambitious expansion plans while advancing its core mission to revolutionize how organizations develop and engage their talent.

November 2024

 **nexus/ag**  
acquired by


 **TA ASSOCIATES**



**\$1.3 bn** **4.3x**

Nexus AG provides health care software and IT services for hospitals, psychiatric facilities, and rehabilitation centers. The software has features for clinical information management, diagnostic modules, patient data handling, health care operations, integrated medical systems, and institutional workflows to help health care organizations optimize their operational efficiency.

The partnership enables Nexus AG to accelerate its innovation strategy and expand its market presence in the European e-health sector. With TA Associates' support and investment, Nexus plans to enhance its clinical information systems, pursue strategic acquisitions, and increase R&D investments in cloud and AI technologies. TA Associates sees Nexus as a leading health care IT provider well-positioned to capitalize on growing digital healthcare demand.

October 2024

 **ZUORA**  
acquired by

 **SILVER LAKE**  
 **GIC**

**\$1.2 bn** **2.7x**

Zuora provides cloud-based billing and subscription management. The software has features for pricing and packaging, consumption metering, subscription management, revenue recognition, quoting, fraud protection, analytics, and automated order-to-cash processes to help companies transform and scale their subscription businesses.

In early 2022, Silver Lake put a \$400 million convertible note into the subscription billing software company to bolster its balance sheet to grow through product development and M&A. The full acquisition will now enhance further development of Zuora's monetization suite, which serves customers globally, and drive innovation to further expand its market leadership in monetization solutions.

October 2024

 **workforce SOFTWARE**  
acquired by

 **ADP**

**\$1.2 bn** **N/A**

Workforce Software provides cloud-based workforce management software and related mobile applications. The software has features for workforce analytics, time and attendance tracking, task management, scheduling automation, absence management, labor forecasting, compliance monitoring, and employee engagement tools to help organizations optimize performance and operational efficiency.

As the needs of today's global workforce continue to shift, employers need dynamic solutions that will help them maintain compliance and flexibility while engaging their employees. With this acquisition, ADP guarantees that its workforce management solution offering will stay at the forefront of innovation and enable future growth in this area.

October 2024

 **AdvancedMD**  
acquired by

 **FP FRANCISCO PARTNERS**

**\$1.1 bn** **N/A**

AdvancedMD provides practice management and electronic health record software for health care organizations in the US. The software has features for workflow automation, scheduling, billing, analytics, patient tracking, revenue cycle management, patient engagement tools, and clinical documentation to help medical practices optimize operations.

After being acquired by Global Payments in 2018, the acquisition will make AdvancedMD a standalone business again. This deal will facilitate accelerated investment in its cloud-based medical office software platform. Backed by FP's extensive health care technology expertise and track record in growing technology businesses, AdvancedMD will be able to pursue an ambitious expansion plan while continuing to deliver an end-to-end practice and patient workflow solution.

(1) Official proposal announced in December 2024; EV = Enterprise Value; 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 December 31, 2024



# Other Notable Software Deals during Q4 2024

## Strategic Deals (Q4 2024)

Date	Target	Acquirer	Enterprise Value and Multiple <sup>1</sup>	Target Abstract
Dec-24	EvolutionIQ	CCC	\$730 mn N/A	Disability & injury claims management software
Dec-24	1E	TeamViewer	\$720 mn 10.4x	Digital employee experience analytics software
Nov-24	ZP Better Together	TP	\$490 mn N/A	Language software
Nov-24	DAZZ.	WIZ*	\$450 mn N/A	Application security posture management software
Oct-24	TRACEGAINS	Veralto	\$350 mn N/A	Food compliance & networked item dev software
Oct-24	ai applied insight	CACI EVER VIGILANT	\$320 mn N/A	Infrastructure security software & services
Oct-24	ClearSale	experian.	\$301 mn 3.5x	Anti-fraud software
Oct-24	vl VISUAL LEASE	CoStar Group*	\$273 mn N/A	Lease administration & accounting software
Nov-24	adlumin.	N-ABLE	\$252 mn N/A	Enterprise-grade security operations software
Oct-24	LiveIntent	ZETA	\$250 mn 3.3x	Email marketing & advertising software
Nov-24	BRIGHTCOVE	BENDING SPOONS	\$242 mn 1.2x	Video content delivery software

## PE Deals<sup>2</sup> (Q4 2024)

Date	Target	Acquirer	Enterprise Value and Multiple <sup>1</sup>	Target Abstract
Nov-24	INNOVID	mediaocean TA ASSOCIATES  CVC	\$504 mn 3.3x	Video advertising delivery software
Dec-24	Paragon Solutions	REDLattice ae Industrial Partners	\$500 mn N/A	Cyberattack smartphone surveillance software
Nov-24	24SevenOffice	accountor VITRUVIAN	\$220 mn N/A	ERP, MRP, AI-based accounting software
Oct-24	Eckoh*	Bridgepoint	\$210 mn 4.4x	Customer engagement data security software
Oct-24	LOGITIX	V VICTORYLIVE VICTORY CAPITAL	\$200 mn N/A	Ticket inventory mgt & monetization software
Dec-24	WINDWARD*	FTV CAPITAL	\$196 mn 5.9x	Data and analytics software
Oct-24	PageUp*	IEQT	\$193 mn N/A	Talent acquisition & recruitment software
Oct-24	Prevalent	MITRATECH ONTARIO TEACHERS' PROFESSIONAL PLAN	\$125 mn 5.0x	Third-party risk management software
Dec-24	Rivery	boomi FP FINANCIAL PARTNERS  TPG	\$100 mn N/A	Data integration software
Oct-24	solifi	TA ASSOCIATES	N/A	Equipment finance software
Dec-24	MetaCompliance*	KEENSIGHT CAPITAL	N/A	Cybersecurity awareness & training software

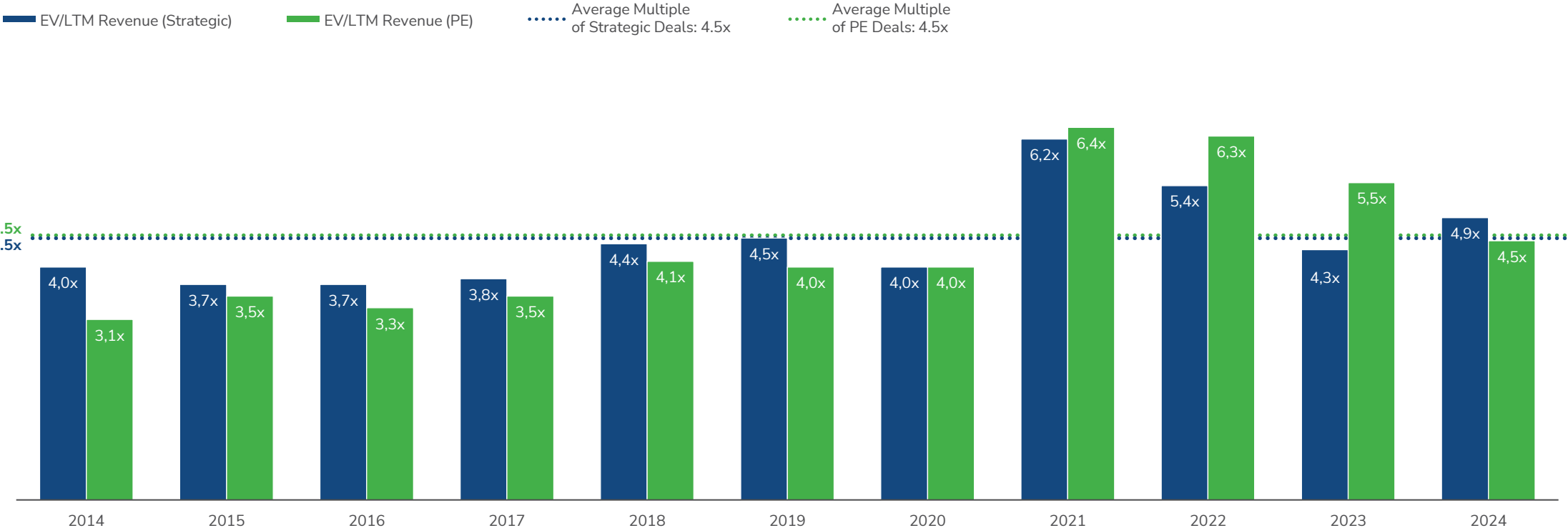
<sup>1</sup>Deal Multiple = Enterprise Value/LTM Revenue, unless otherwise specified; <sup>2</sup>PE deals include acquisitions made by PE-backed strategics, whose owners are indicated below the gray line, and exclude deals involving SPAC vehicles; All trademarks, trade names or logos referenced herein are the property of their respective owners  
Source: 451 Research as of December 31, 2024



# Strategic Multiples Rebound From 2023 While PE Multiples Continue Downward Trend

For the First Time since 2019, Strategic Buyers Are Back to Paying a Premium Compared to PE Investors

## Annual Median Deal Multiples



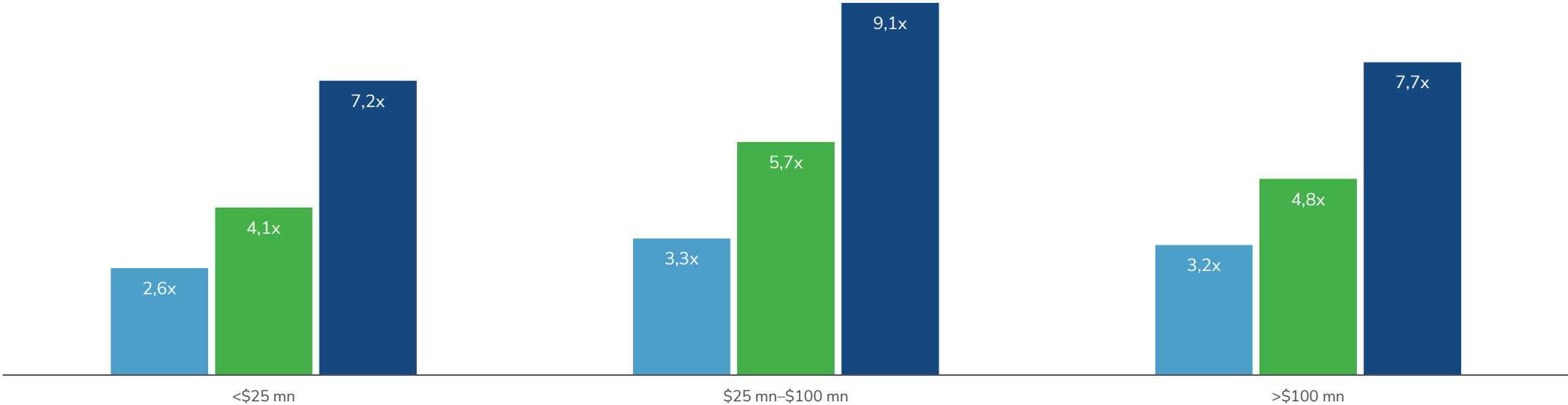
EV = Enterprise Value or Market Capitalization + Total Debt – Cash  
 PE deals include acquisitions made by PE-backed strategics  
 Source: 451 Research as of December 31, 2024

# SaaS Deal Multiples by Quartile and Target Revenue

Third-Quartile Multiples Command Average Premiums of 59% – 76% vs. Median

## Deal Multiples Quartiles by Last 12 Months Revenue

— First Quartile — Median — Third Quartile



Transactions selected are based on the following parameters: (i) target company with SaaS business model; (ii) transaction announced between December 31, 2022, and December 31, 2024; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions  
Source: 451 Research and Mergermarket as of December 31, 2024

# Kroll's Technology Investment Banking Practice Tracked Universe of Public Software Companies



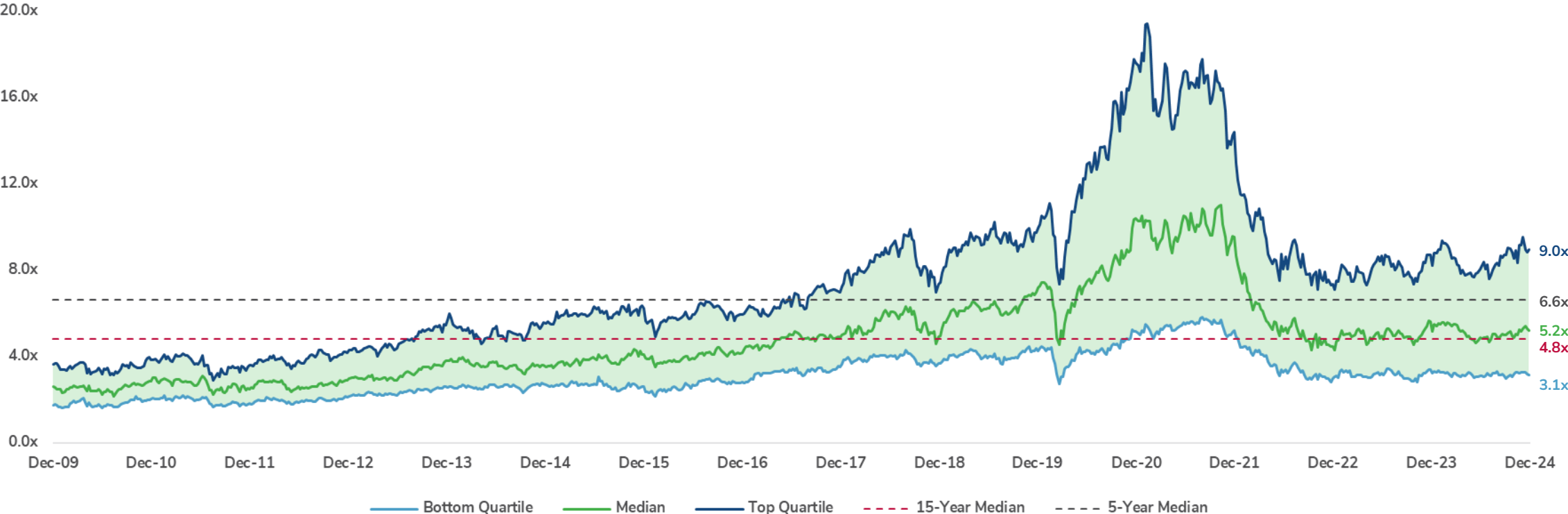
BI = Business Intelligence; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management  
 Source: S&P Global Market Intelligence as of December 31, 2024, including the most actively traded software companies for respective covered sectors and excluding most microcap companies  
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# Public SaaS Companies' EV/NTM Revenue Multiples Have Stabilized and Are Trading in Line with the 15-Year Median

Median Multiple Trading at 5.2x EV/NTM Revenue Versus Long-Term Average of 4.8x

## Performance of Our Technology Investment Banking Practice SaaS Index over the Past 15 Years

EV/NTM Revenue



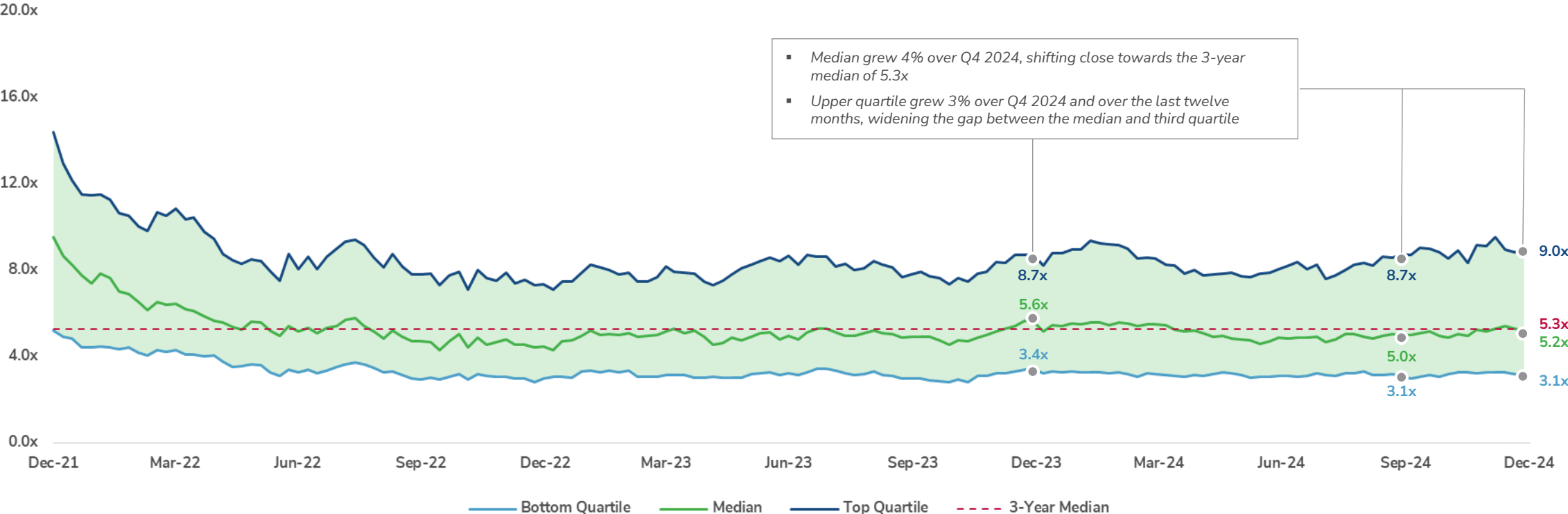
Our Technology Investment Banking Practice SaaS Index includes 194 companies that offer SaaS solutions; NTM = Next Twelve Months  
 Source: Capital IQ as of December 31, 2024

# EV/NTM Revenue Multiples Have Remained Relatively Flat since their Post-Covid Correction

Median Saw Modest Growth in Q4, Returning Close to the 3-Year Average

## Performance of Our Technology Investment Banking Practice SaaS Index over the Past Three Years

EV/NTM Revenue



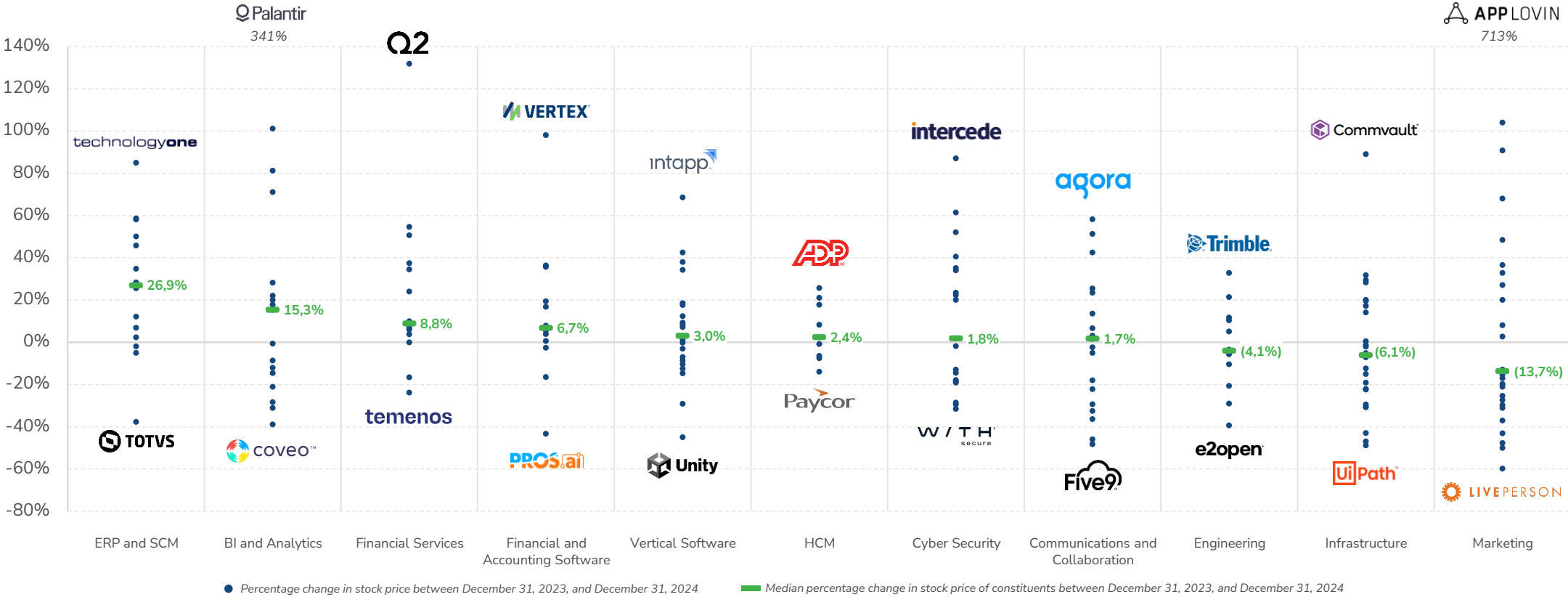
Our Technology Investment Banking Practice SaaS Index includes 194 companies that offer SaaS solutions; NTM = Next Twelve Months  
 Source: Capital IQ as of December 31, 2024



# Last 12 Months Performance of Stock Prices

Considerable Differences between High- and Low-Performing Stocks: Outperformance Is Being Rewarded

Performance of Our Technology Investment Banking Practice’s Tracked Software Universe between December 31, 2023, and December 31, 2024

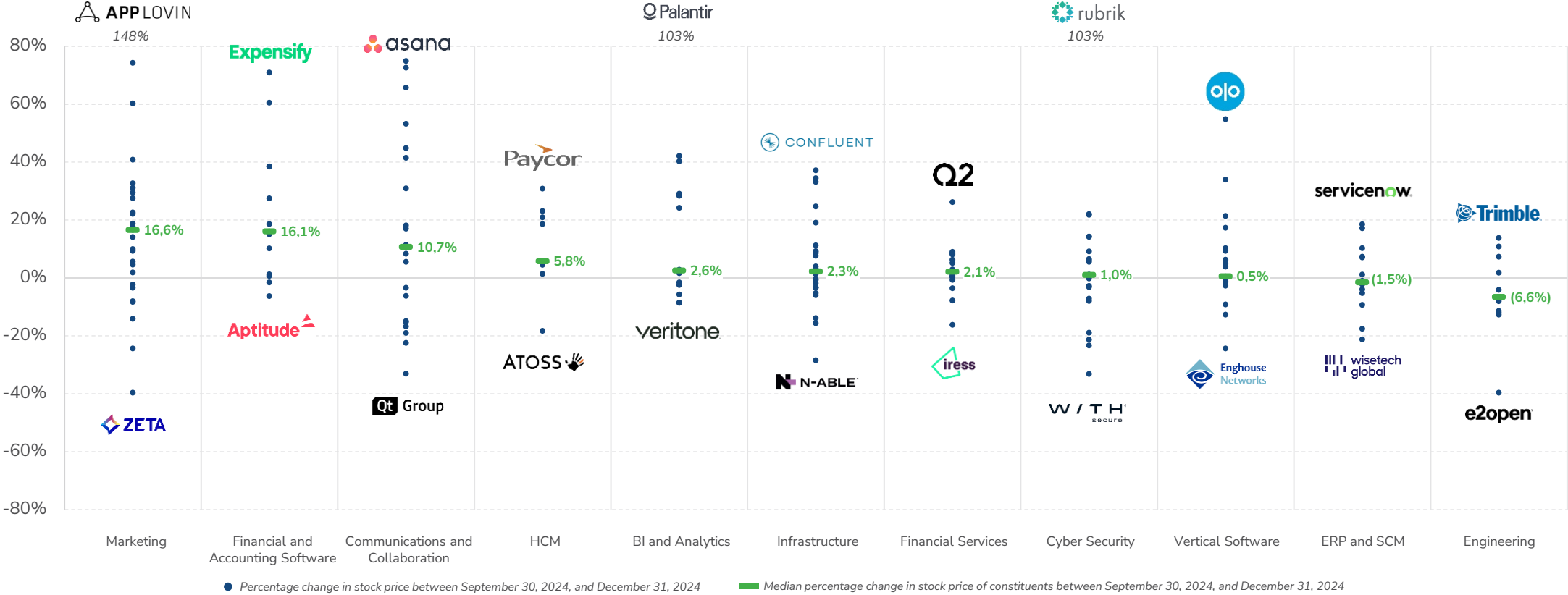


Does not include companies listed after December 31, 2023; Buckets ordered by median percentage change in stock price between December 31, 2023, and December 31, 2024; All trademarks, trade names, or logos referenced herein are the property of their respective owners  
 Source: Capital IQ as of December 31, 2024

# Quarterly Performance of Stock Prices

Majority of Software Subsectors Experienced Growth in Q4 2024

Performance of Our Technology Investment Banking Practice’s Tracked Software Universe between September 30, 2024, and December 31, 2024

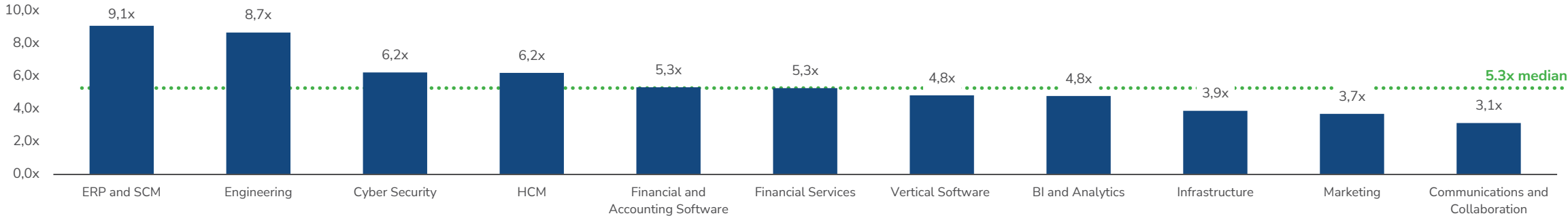


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 Source: Capital IQ as of December 31, 2024

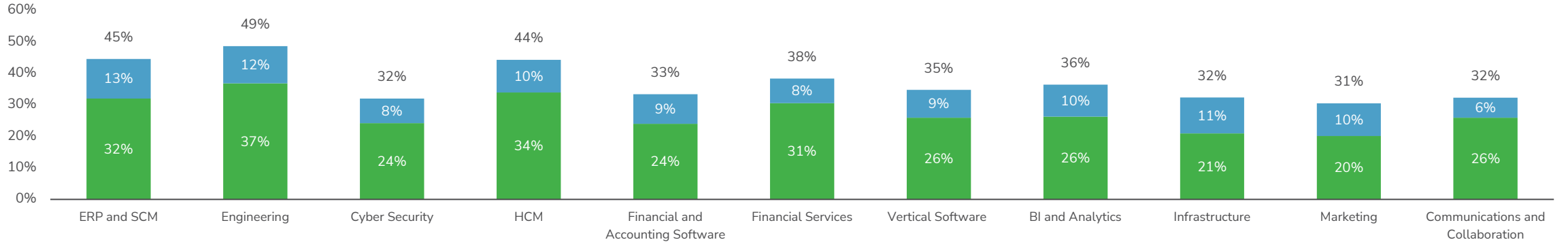
# Significant Differences Exist in Multiples Between Software Subsectors

High Multiples for Engineering and ERP and SCM Subsectors Reflected in Strong Revenue Growth and EBITDA Margins

EV / CY25 Revenue Multiples



Revenue Growth & EBITDA Margins



Buckets ordered by December 2024 revenue multiples  
Source: Capital IQ as of December 31, 2024

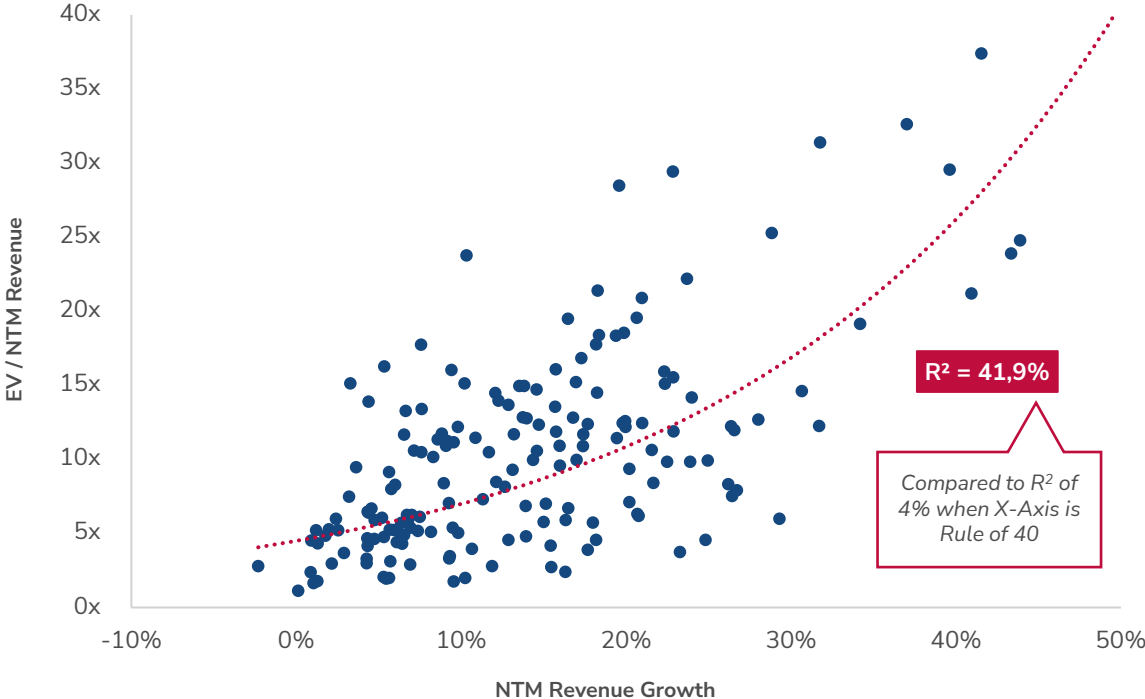
■ CY25 Revenue Growth ■ CY25 EBITDA Margin

# Public Software Company Valuations Increasingly Linked to “Rule of 40”, No Longer Rewarding Growth At All Cost

Valuation Multiples Now Significantly More Closely Correlated to “Rule of 40” Post-COVID Correction

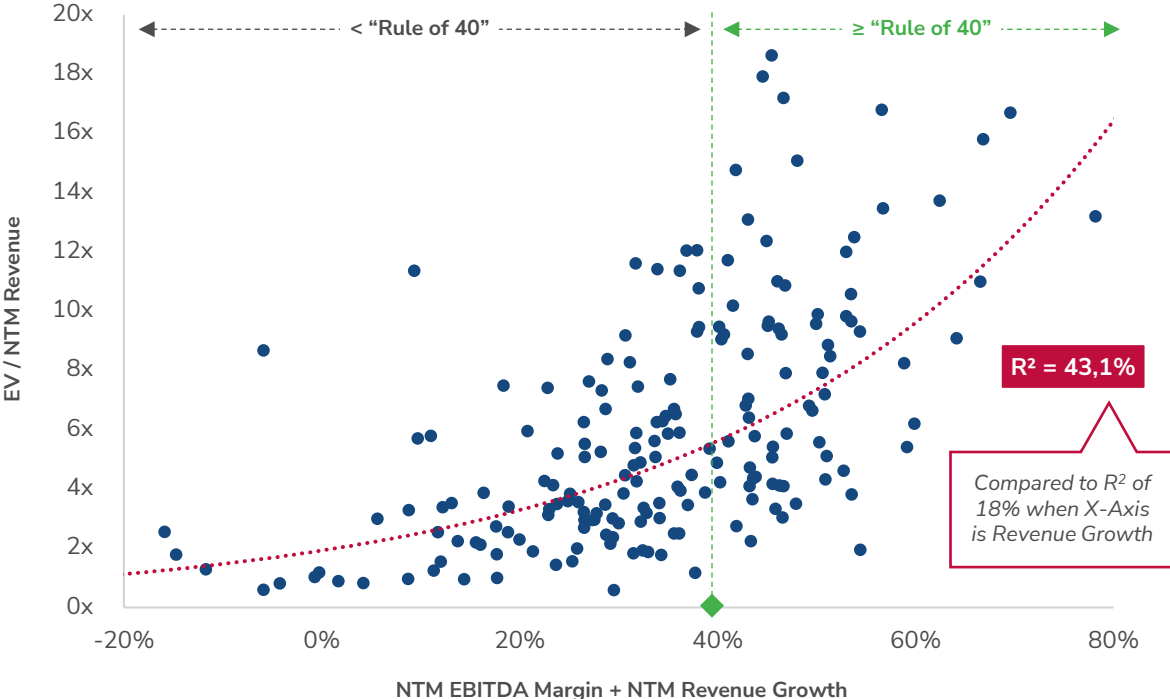
## Dec-21: Growth is the key factor for valuation

Valuation linked to revenue growth, with minimal correlation to “Rule of 40”



## Dec-24: Valuation driven by margin-efficient growth

Multiples correlate to “Rule of 40”, rewarding margin combined with growth



“Rule of 40”: EBITDA Margin + Revenue Growth ≥ 40%; R<sup>2</sup>: Measurement of correlation between X-Axis and Y-Axis variables; Outliers excluded  
 Source: Capital IQ as of December 31, 2024

# Strong Track Record Closing Deals with Tech-Focused Investors and Acquirers

## Select Private Equity Transactions

 <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>has received investment from</p> 
 <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>has received investment from</p> 
 <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>has received investment from</p> 

## Select Strategic Buyer Transactions

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 



# Technology & Business Services Investment Banking

















































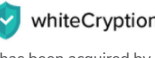

## Practice Overview

- 
**Significant Transaction Experience**  
 Strong track record of execution, 500+ transactions completed
- 
**Unparalleled Access to Buyers**  
 Deep reach into tech and business services focused financial sponsors and strategics
- 
**Deep Domain Expertise**  
 Fluency in key trends in the tech & business services sectors
- 
**Unconflicted and Focused Approach**  
 Singular focus on sector advisory services

## Verticals & Thematic Areas of Focus

-  Human Capital Management
-  Education & Training
-  Retail & Commerce
-  Marketing & Media
-  Cybersecurity
-  Governance, Regulatory & Compliance
-  Information Technology
-  Supply Chain & Logistics
-  Financial Services
-  Data & Analytics

## Select Technology Transaction Experience

 has been acquired by  a portfolio company of 	 has been acquired by 	 has received investment from 	 has been acquired by 	 has been acquired by 	 has received a majority investment from 
 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has received a majority investment from 	 has been acquired by 
 has been acquired by 	 has been acquired by 	 has merged with 	 has been acquired by 	 has been acquired by 	 has acquired 
 has been acquired by 	 has acquired 	 has been acquired by 	 has received a majority investment from 	 has been acquired by  a portfolio company of 	 has been acquired by  a portfolio company of  SoftBank



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