



Global Software Sector Update

INDUSTRY INSIGHTS

FALL 2024

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Executive Summary

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Q3 YTD Deal Value Already Surpasses 2023 by 32% Despite Deal Volume Expected to Fall by 9%



\$1 bn - \$10 bn Deal Value Segment Posts Strongest Quarter Since Q3 2021 with Private Equity Accounting for +80% of Deal Value



Public EV/NTM Revenue Multiples Increased Moderately to 4.9x in Q3 2024, Surpassing Long-Term Average of 4.7x

Key Market Updates

Helped by a busy September, Q3 software M&A activity closed out with a 19% sequential increase in number of deals and 15% increase in deal value over Q2. The long awaited 0.5 percentage point interest rate reduction by the Fed in September certainly helped grease the post-summer deal wheels. However, the generally strong technology sector earnings reports together with higher observed and expected growth rates in technology spending have been equally important. On a run rate basis, 2024 is now on track to close with a 75% increase in deal value versus 2023, contrasting however with a 9% reduction in number of deals. This reflects a continued flight to quality, with fewer but larger deals crossing the finish line as financial and strategic buyers prefer to pay up for the strongest performers while remaining cautious about median- or lower-quartile ranked software assets.

Much of the action in Q3 was led by financial sponsors, with the six largest software deals of the quarter all being accounted for by private equity buyers, and notably mainly by generalist funds rather than the software-focused specialists. Here the improvement in credit market conditions, combined by strong secular market drivers and opportunities for transformational AI-focused initiatives have been some of the features of the investment cases being underwritten.

Strategic buyers have however held their ground, maintaining a two-thirds market share by number of deals as they skewed toward smaller, strategic bolt-on deals. We are seeing the re-emergence of some of the more traditionally active serial strategic buyers recently, such as Salesforce, which emerged from a period of self-imposed internal housekeeping and opex optimization to announce no fewer than four acquisitions in the quarter—their first for the year.

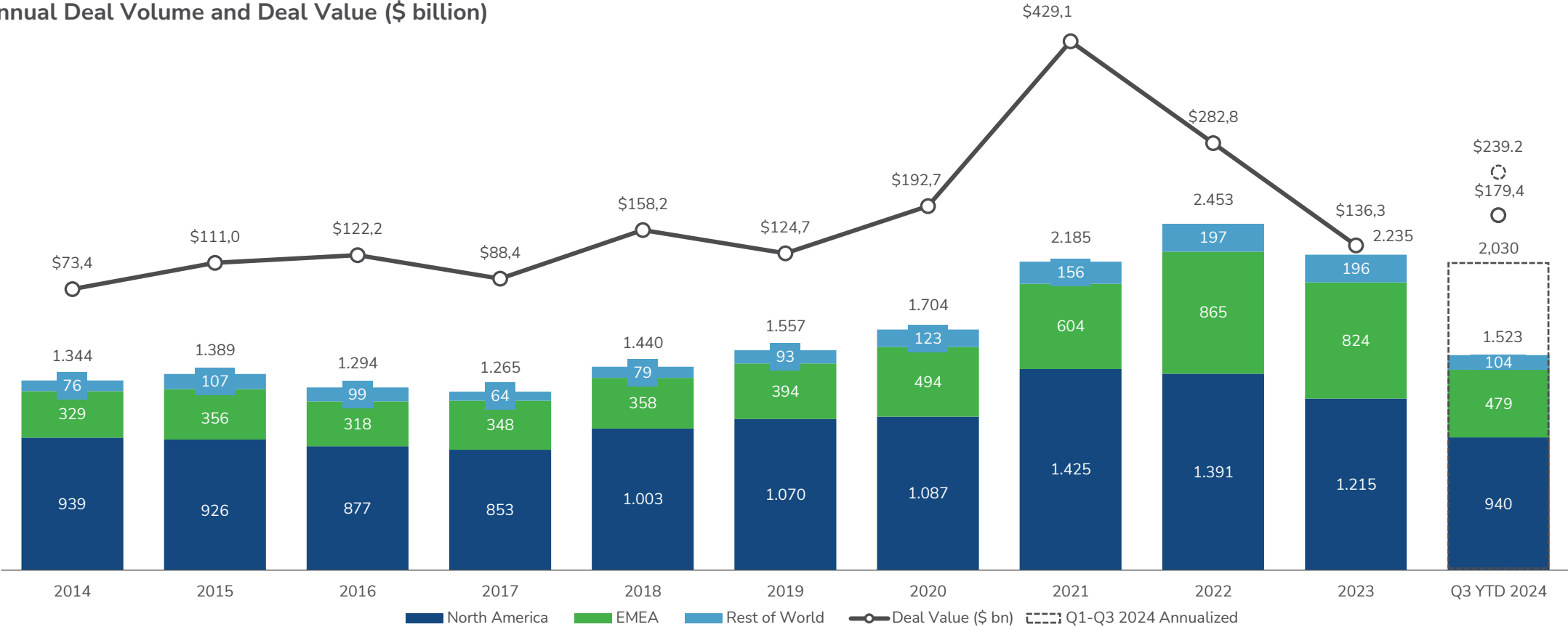
In the public markets, SaaS stocks mirrored some of the flight to quality trend, with the top quartile EV/NTM revenue multiple expanding 7% to 8.8x while the bottom quartile held flat at 3.0x. Most sectors saw an improvement in median trading multiple, led by HCM with a 15% improvement to 5.4x EV/NTM over the quarter, recovering some of the lost ground for this sector over prior quarters.

While geopolitical risks continue to weigh heavily, and equity markets remain sensitive to any softness in economic indicators, our expectation is for a continued and gradual improvement in M&A activity across the sector into the final quarter of 2024 and into 2025.

Q3 YTD Deal Value Already Surpasses 2023 by 32% Despite Deal Volume Expected to Fall by 9%

Deal Value on Track to be Third Highest in Last Decade

Annual Deal Volume and Deal Value (\$ billion)



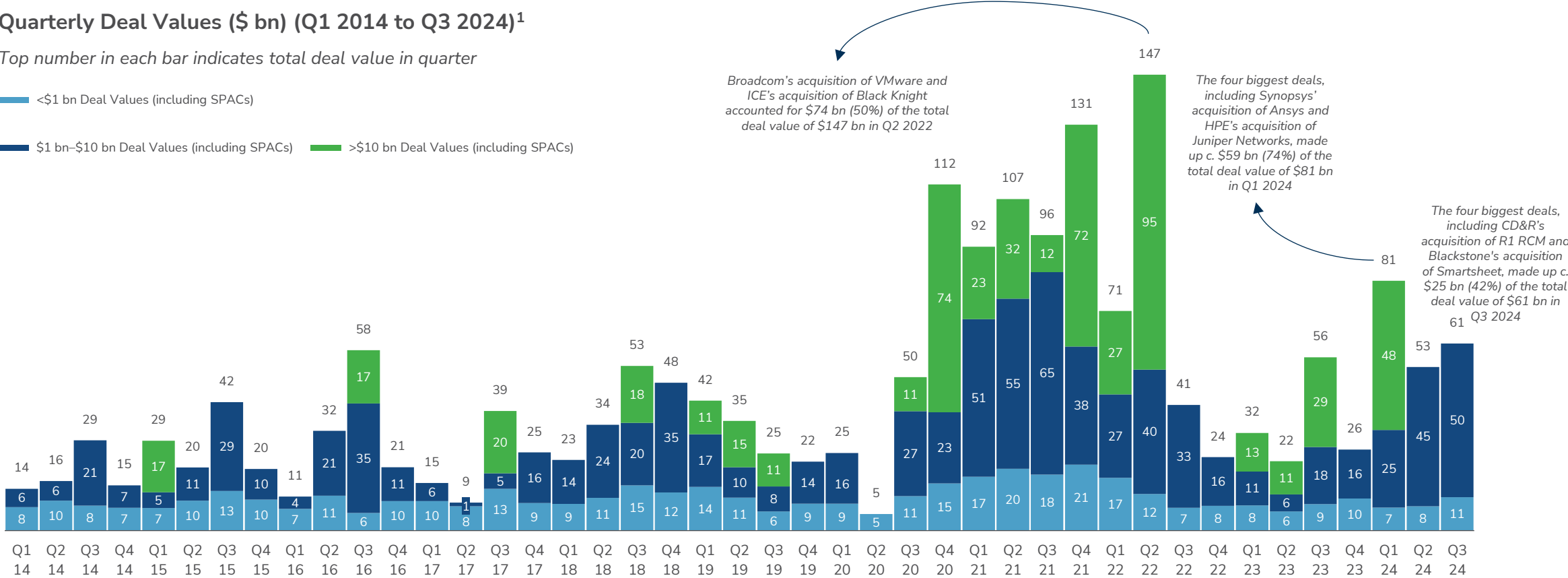
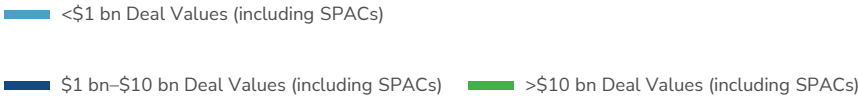
Source: 451 Research as of September 30, 2024

\$1 bn - \$10 bn Deal Value Segment Posts Strongest Quarter Since Q3 2021 with Private Equity Accounting for +80% of Deal Value

<\$1 bn Deal Value Segment Also Posts Strongest Results Since Q2 2022, 13% Above Long-Term Median of \$9.5 bn

Quarterly Deal Values (\$ bn) (Q1 2014 to Q3 2024)¹

Top number in each bar indicates total deal value in quarter



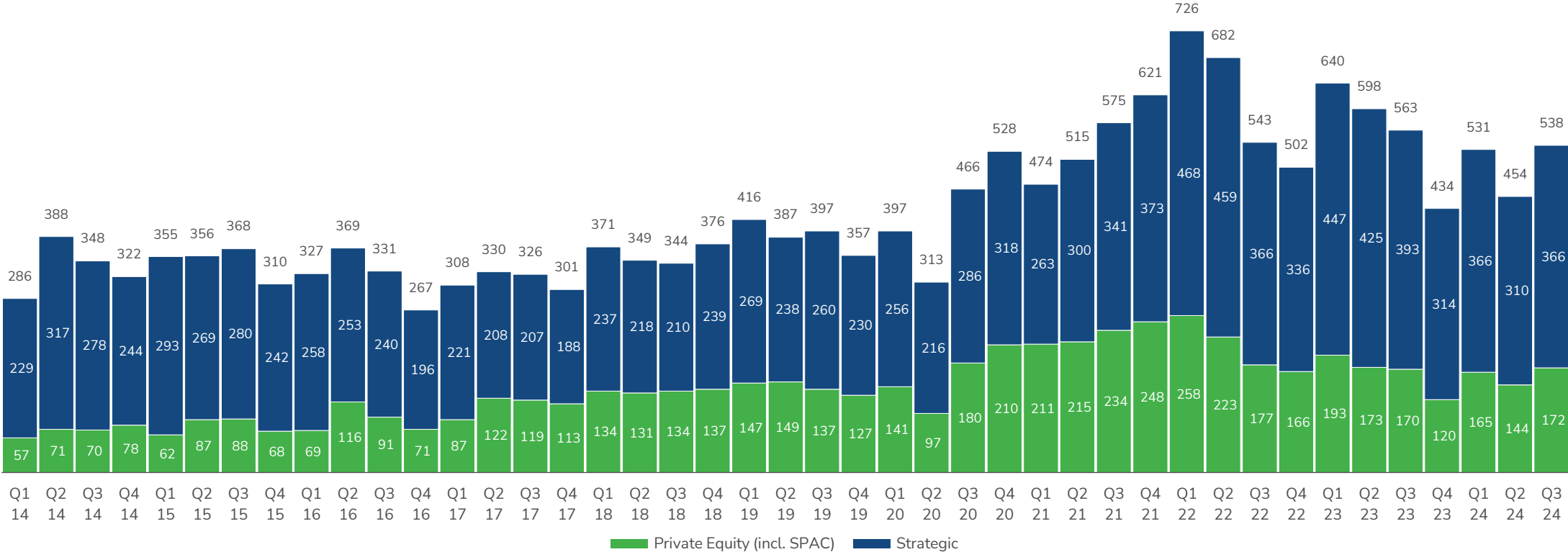
¹Between January 1, 2014, and September 30, 2024; SPAC = Special Purpose Acquisition Company
Source: 451 Research as of September 30, 2024

Q3 Deal Volume Rebounds Above 500, Marking a 19% Increase Compared to Previous Quarter

PE Deals Comprise 32% of Q3 2024 Transactions, In Line With Long-Term Average

Quarterly Deal Volume (Q1 2014 to Q3 2024)¹


Top number in each bar indicates total deal volumes in quarter





¹Between January 1, 2014, and September 30, 2024; Private Equity includes acquisitions made by PE-backed platforms
Source: 451 Research as of September 30, 2024

Top Six Software Acquisitions over Q3 2024 by Enterprise Value

August 2024



acquired by





\$8.6 bn **3.6x**


R1 RCM provides AI and RPA-based software for revenue cycle management, patient appointment scheduling and analytics to businesses in the health care sector in the U.S. The software has features for billing preparation and collections, billing compliance, patient registration, insurance registration, benefit verification, medical treatment documentation and coding.

TowerBrook and CD&R are planning to take R1 private together. This partnership will leverage TowerBrook's investment experience and CD&R's operational expertise to accelerate R1's development of intelligent automation and AI-driven solutions for health care revenue management. As a private company, R1 will be better positioned to invest in core operations, driving enhanced customer performance and setting new standards.

July 2024



acquired by




\$4.3 bn **3.3x**


Envestnet provides wealth, portfolio, and practice management software and a related mobile application for financial institutions and investment brokerage firms. The software has features for customer relationship management, analytics, taxation, cost accounting, new account management, multi-account trading, billing, compliance, risk management, reporting, financial planning, and performance management.

The partnership allows Envestnet to make further investments in its differentiated product offerings, pursue organic and inorganic growth initiatives, and deliver greater value to customers and partners. With Bain Capital's support, Envestnet aims to develop more customized, connected, and intelligent solutions that empower advisors to better serve clients throughout their financial lives.

September 2024



acquired by



\$7.7 bn **7.4x**

Smartsheet provides AI-based enterprise work management software for businesses globally. The software has features for team collaboration, work process management, digital asset management, dashboards, reporting, portfolio management, document sharing, task management, and project process tracking.

Joining Blackstone and Vista Equity will propel Smartsheet's mission to modernize work management for enterprises globally. This partnership leverages the buyers' combined expertise and resources to accelerate Smartsheet's growth and innovation in collaborative work solutions. With increased investment capacity, Smartsheet aims to enhance its platform, making it more accessible and valuable for organizations of all sizes seeking to improve team collaboration and productivity in distributed work environments.

August 2024



acquired by




~\$4.0 bn **N/A**


Acronis provides AI- and blockchain-based secure storage backup and recovery cybersecurity SaaS and software for businesses and consumers globally. The software has features for cyberattack management, automated data protection, vulnerability assessment, Managed Service Provider (MSP) patch management, ransomware protection, server backup, disaster recovery, and access management.

EQT's extensive experience in the technology sector, combined with Acronis' position in providing integrated solutions for MSPs, will enable the company to scale its network more rapidly and enhance its innovative capabilities. This strategic move will strengthen Acronis' ability to help customers ensure robust cyber preparedness with simplicity and reliability in an increasingly complex digital landscape.

July 2024



acquired by



\$4.7 bn **7.9x**

Instructure provides learning management software for educational institutions and employees vocational training software for businesses globally. The software has features for managing school assessments, analytics, personalized learning, video integration and collaboration, registration, video learning, employee training and development.

KKR will enable Instructure to accelerate its growth strategy and expand its global learning platform. With KKR's support and investment, Instructure plans to enhance its core Canvas and Parchment products, increase technology innovation, and pursue new market opportunities. This partnership aligns with Instructure's vision to be the end-to-end education platform that powers lifelong learning and transforms education into opportunities for learners worldwide.

August 2024



acquired by



\$3.0 bn+ **N/A**

Epicor provides AI-based ERP, CRM, and SCM SaaS, open APIs and SDKs, and a related mobile application for businesses in the automotive building supply, distribution, manufacturing and retail industries globally. The software has features for ERP, SCM, compliance, payment, sale and retail management, business productivity, CRM, governance risk compliance, and data-driven business intelligence (BI) analytics capabilities.

With CVC's expertise and resources joining CD&R's support, Epicor is poised to accelerate its expansion plans, focusing on further SaaS migration, geographic growth, and continued product innovation. This collaboration aims to enhance Epicor's ability to deliver AI-powered ERP solutions, strengthening its position in the enterprise software market for manufacturing, distribution, and retail.

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 September 30, 2024

Other Notable Software Deals during Q3 2024

Strategic Deals (Q3 2024)

Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
Sep-24	Recorded Future	Mastercard	\$2,650 mn 7.8x	Threat intelligence software
Sep-24	Own	Salesforce	\$2,111 mn 8.4x	Data protection & management software
Aug-24	QGenda	HEARST	\$2,000 mn N/A	Healthcare workforce management software
Aug-24	Teads	Outbrain	\$1,022 mn N/A	Programmatic digital advertising software
Sep-24	FEATURE SPACE	VISA	\$892 mn N/A	Payment fraud prevention software
Sep-24	ShareFile	Progress	\$875 mn N/A	File sharing & collaboration software
Sep-24	fiery	EPSON	\$591 mn 2.9x	Digital printing software & servers
Jul-24	ONSOLVE	CRISIS24	\$550 mn N/A	Critical event management & threat detection software
Jul-24	Landvault	INFINITE REALITY	\$450 mn N/A	VR & AR advertising placement software
Sep-24	[ZOOMIN]	salesforce	\$430 mn N/A	Unstructured data management software
Jul-24	isabel group accountancy portfolio of solutions	Wolters Kluwer	\$353 mn 9.4x	Accounting management software

PE Deals² (Q3 2024)

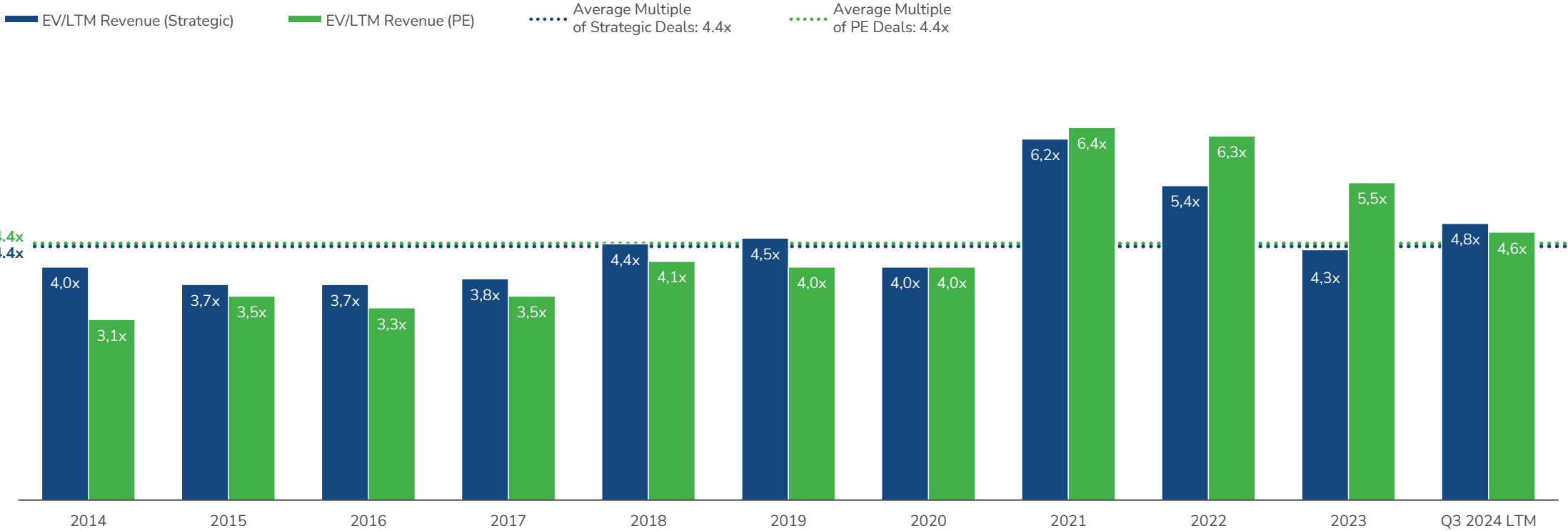
Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
Sep-24	Redwood	VISTA WARBURG PINCUS	\$2,500 mn N/A	Workload automation software
Aug-24	NCR VOYIX cloud-based digital banking business	VERITAS CAPITAL	\$2,450 mn 4.2x	Banking software
Aug-24	JAGGAER	VISTA	\$2,400 mn 7.4x	eProcurement software
Jul-24	Varient	WARBURG PINCUS	\$1,250 mn 8.6x	Sales performance management software
Aug-24	iconectiv	KOCH EQUITY DEVELOPMENT	\$1,000 mn N/A	Telecommunication network & OSS management software
Aug-24	M-Files	Bregal Milestone HAVELI	\$700 mn 5.6x	Document creation & management software
Sep-24	Axcient	CONNECTWISE THOMABRAVO	\$450 mn 6.0x	Data protection & disaster recovery software
Aug-24	Xtend Healthcare	CorroHealth CARLYLE	\$365 mn N/A	Healthcare revenue cycle management software
Jul-24	PLANCK	APPLIED H&F	\$300 mn N/A	Insurance data management software
Jul-24	Capita	mri GI PARTNERS	\$266 mn 3.8x	Revenue, housing & education mngmt. software
Jul-24	AUGMEDIX	commure GENERAL CATALYST	\$134 mn 2.6x	Healthcare document management software

VR = Virtual Reality; AR = Augmented Reality; OSS = Operations Support Systems; ¹Deal Multiple = Enterprise Value/LTM Revenue, unless otherwise specified; ²PE 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, 2024

After Recent Divergence, PE and Strategic Deal Multiples Realign to Historical Average

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

Annual Median Deal Multiples



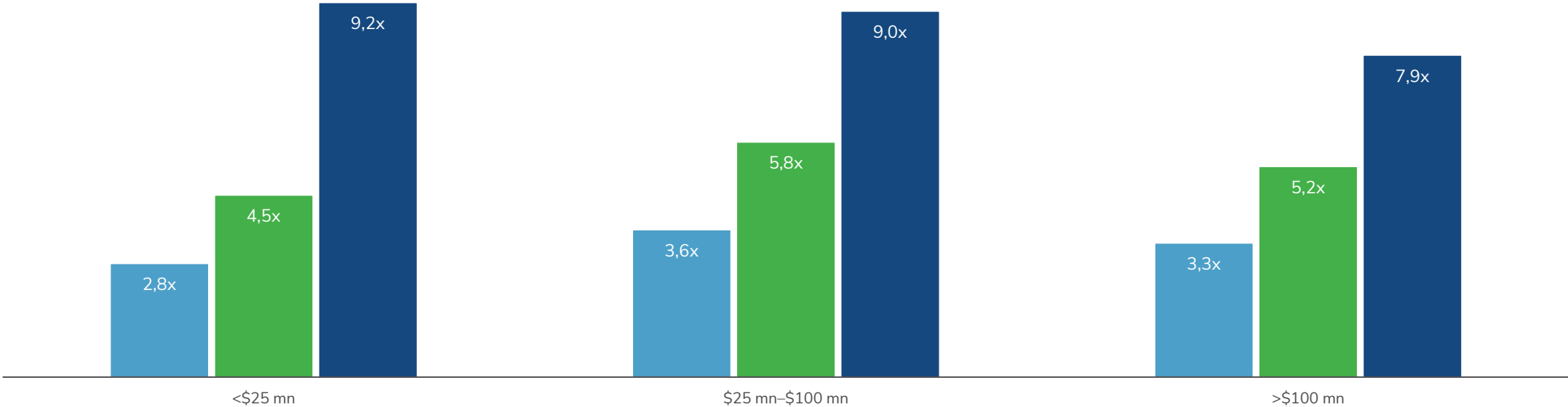
EV = Enterprise Value or Market Capitalization + Total Debt – Cash
 PE deals include acquisitions made by PE-backed strategics
 Source: 451 Research as of September 30, 2024

SaaS Deal Multiples by Quartile and Target Revenue

Third-Quartile Multiples Command Average Premiums of 53%–106% 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 September 30, 2022, and September 30, 2024; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions
Source: 451 Research and Mergermarket as of September 30, 2024

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



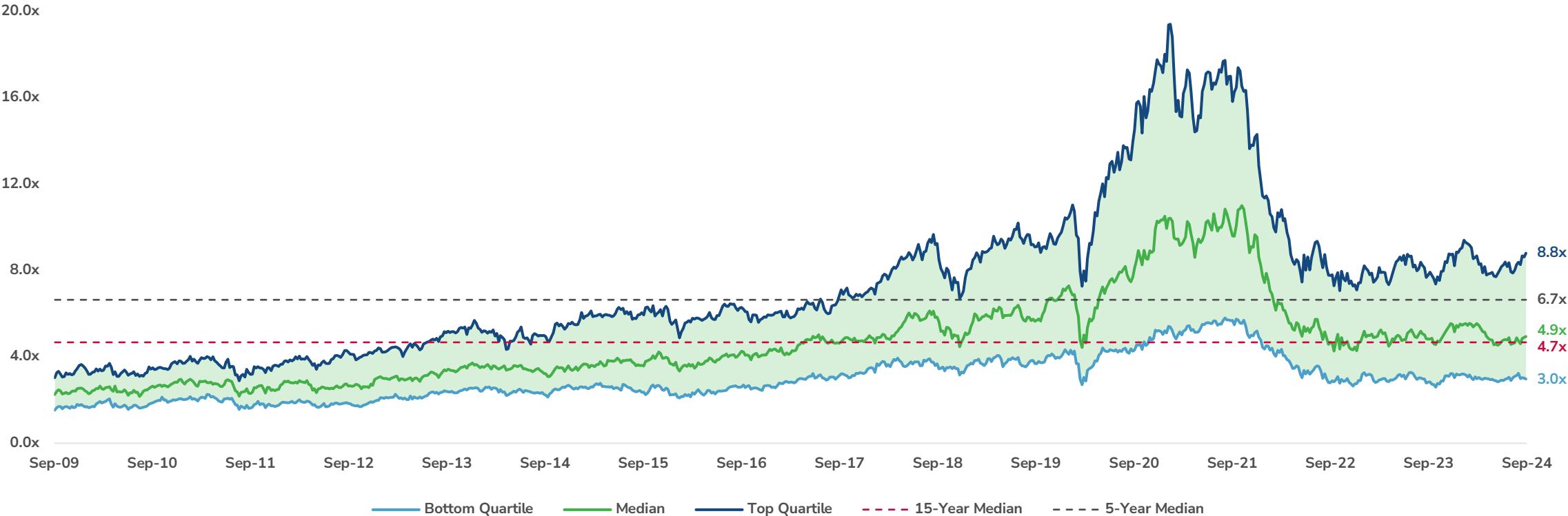
BI = Business Intelligence; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management
 Source: S&P Global Market Intelligence as of September 30, 2024, including the most actively traded software companies for respective covered sectors and excluding most microcap companies
 All trademarks, trade names, or logos referenced herein are the property of their respective owners

Public SaaS Companies' EV/NTM Revenue Multiples Have Stabilized and Are Trading in Line with the 15-Year Median

Median Multiple Trading at 4.9x EV/NTM Revenue Versus Long-Term Average of 4.7x

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

EV/NTM Revenue



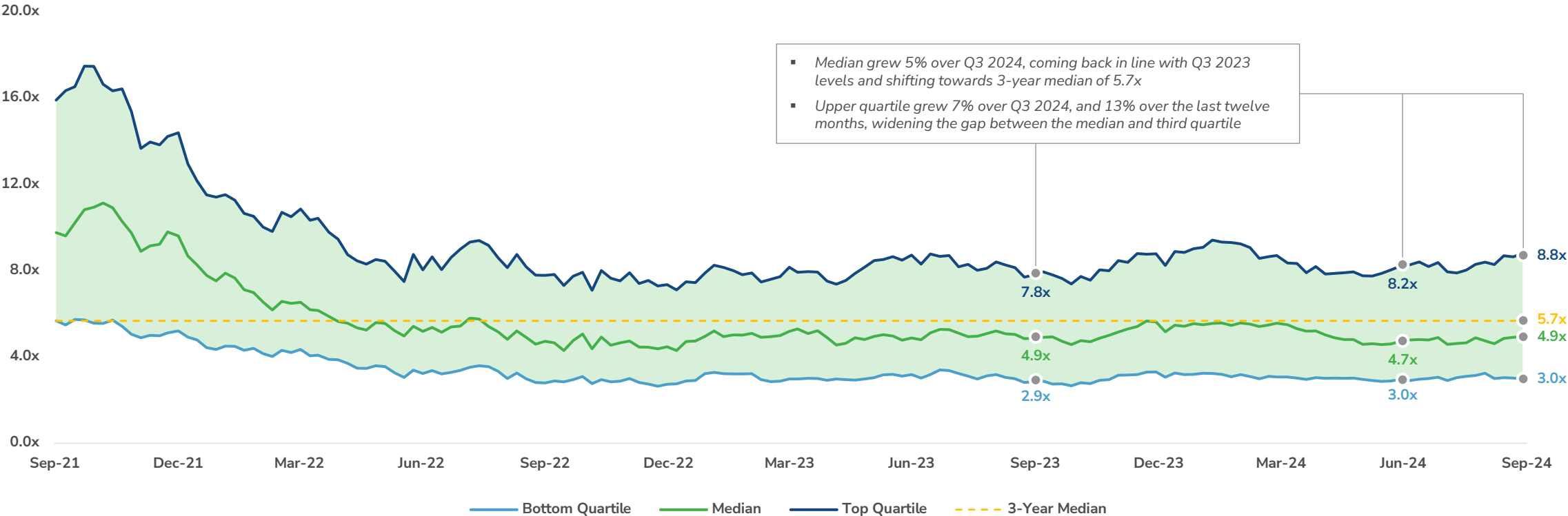
Our Technology Investment Banking Practice SaaS Index includes 199 companies that offer SaaS solutions; NTM = Next Twelve Months
 Source: Capital IQ as of September 30, 2024

Median EV/NTM Revenue Multiple Has Held Steady Over the Last Twelve Months, While Upper Quartile Has Pulled Away

While the Median and Lower Quartile Have Been Flat, the Upper Quartile Increased 7% Over Q3 and 13% Over LTM

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

EV/NTM Revenue

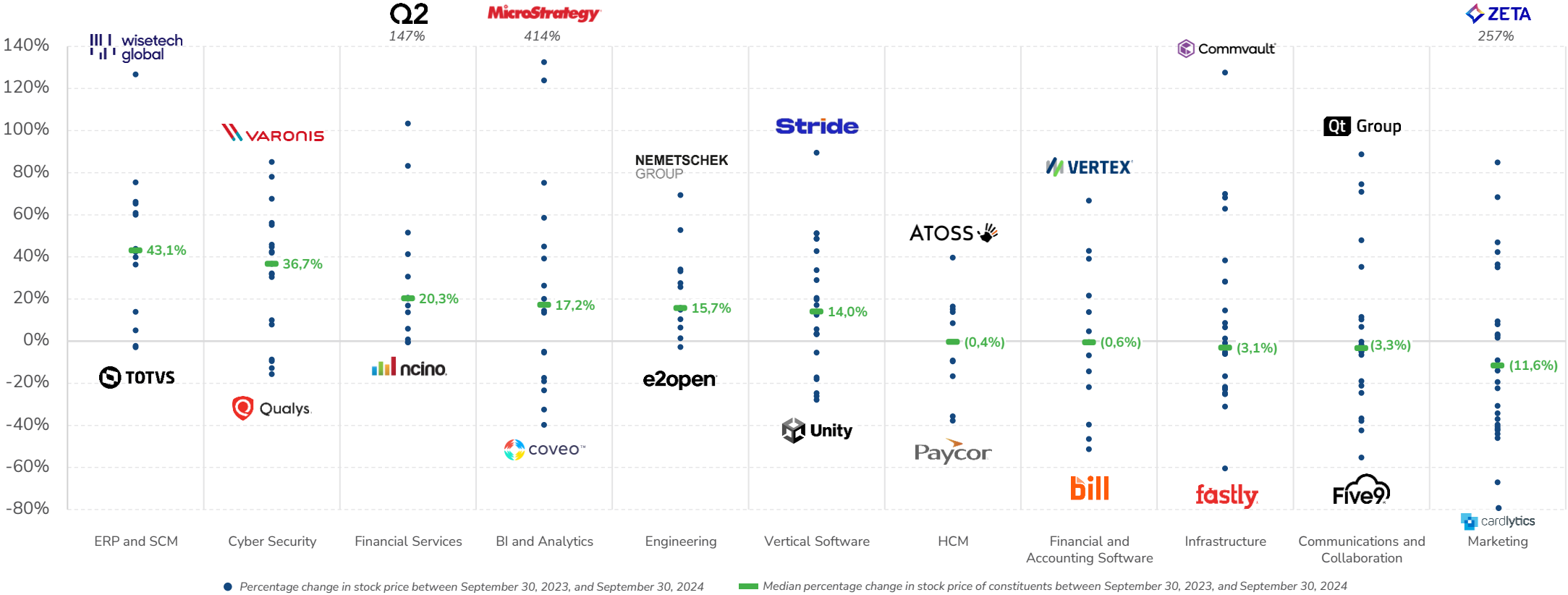


Our Technology Investment Banking Practice SaaS Index includes 199 companies that offer SaaS solutions; NTM = Next Twelve Months
Source: Capital IQ as of September 30, 2024

Last 12 Months Performance of Stock Prices

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

Performance of Our Technology Investment Services Banking Practice's Tracked Software Universe between September 30, 2023, and September 30, 2024

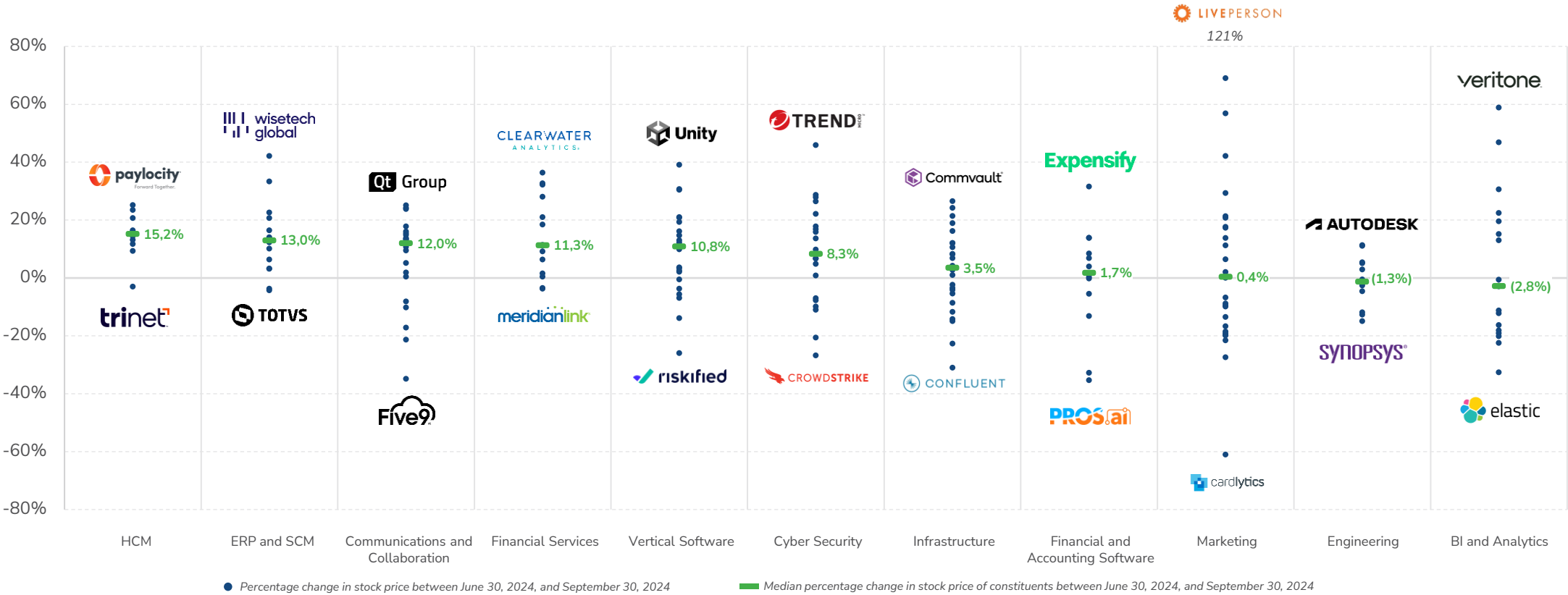


Does not include companies listed after September 30, 2023; Buckets ordered by median percentage change in stock price between September 30, 2023, and September 30, 2024; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of September 30, 2024

Quarterly Performance of Stock Prices

Modest Growth Across Most Software Subsectors in Q3 2024

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

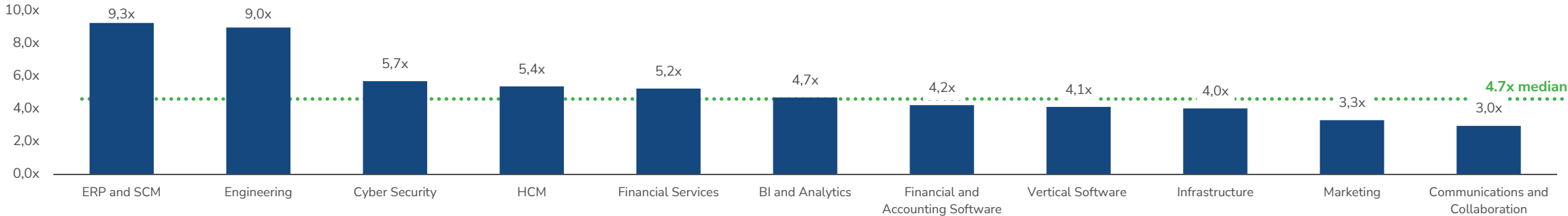


Does not include companies listed after June 30, 2024; Buckets ordered by median percentage change in stock price between June 30, 2024, and September 30, 2024; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of September 30, 2024

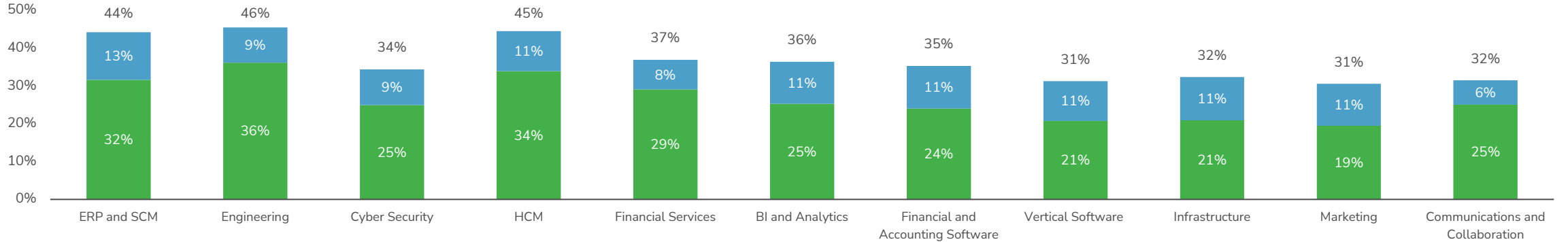
Significant Differences Exist in Multiples Between Software Subsectors

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

EV/CY25 Revenue Multiples, September 2024



Revenue Growth & EBITDA Margins, September 2024



Buckets ordered by September 2024 revenue multiples
Source: Capital IQ as of September 30, 2024

■ CY25 Revenue Growth ■ CY25 EBITDA Margin

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

Select Private Equity Transactions

 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has received a majority investment from</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>has received a majority investment from</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</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> 
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Technology & Business Services Investment Banking
















































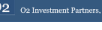



Practice Overview

- 
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  



For more information, please contact:



Nicholas Collins
Managing Director
Investment Banking
Palo Alto
+1 650 354 4020
Nicholas.Collins@Kroll.com



Matt De La O
Managing Director
Investment Banking
Washington DC
+1 202 449 1813
Matt.DeLaO@Kroll.com



Rory O'Sullivan
Managing Director
Investment Banking
London
+44 20 7089 4810
Rory.OSullivan@Kroll.com



Hamish Shah
Managing Director
Investment Banking
London
+44 20 7089 4870
Hamish.Shah@Kroll.com



Scott Munro
Vice Chairman
Investment Banking
Palo Alto/Toronto
+1 650 354 4040
Scott.Munro@Kroll.com



Vineet Asthana
Managing Director
Investment Banking
New York
+1 212 277 0132
Vineet.Asthana@Kroll.com



Corey Maurer
Director
Investment Banking
Los Angeles
+1 424 281 6348
Corey.Maurer@kroll.com



Philipp Bose, CFA
Director
Investment Banking
Munich
+49 89 38 88 84 280
Philipp.Bose@Kroll.com

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