



Global Software Sector Update

Global Software Sector Update

Global Software Sector Update

Industry Insights

Winter 2024



Executive Summary

Executive Summary

Executive Summary

Executive Summary



EMEA Deal Share has Grown to 66% of North America's, up from 34% in 2013



Absence of Mega Deals in Q4 2023 Led to Lowest Quarterly Deal Value Since Q2 2020



Public Software Companies' Valuation Multiples Recovered by 13% over Q4 2023 to 8.5x for the Top Quartile

Key Market Updates

The year 2023 saw an unprecedented decline of 61% in software M&A deal value compared to 2022, with Q4 2023 marking the lowest in disclosed deal value as well as volume since the depths of Q2 2020. The decline in number of M&A deals for the year was more modest at 20%. This led to 2023 being the third most active in terms of number of transactions in the last decade as the market shifted toward smaller, bolt-on deal activity. EMEA activity continued to grow to 66% relative to North American deal activity, which was up from 34% a decade ago. Some of the headwinds earlier in the year abated in Q4, most notably through stabilization in both interest rates and macroeconomic outlook. Although deal volumes have yet to recover, we are seeing a marked improvement in both deal pipeline and process engagement by buyers, which encourages us as we look forward to a more robust market in 2024.

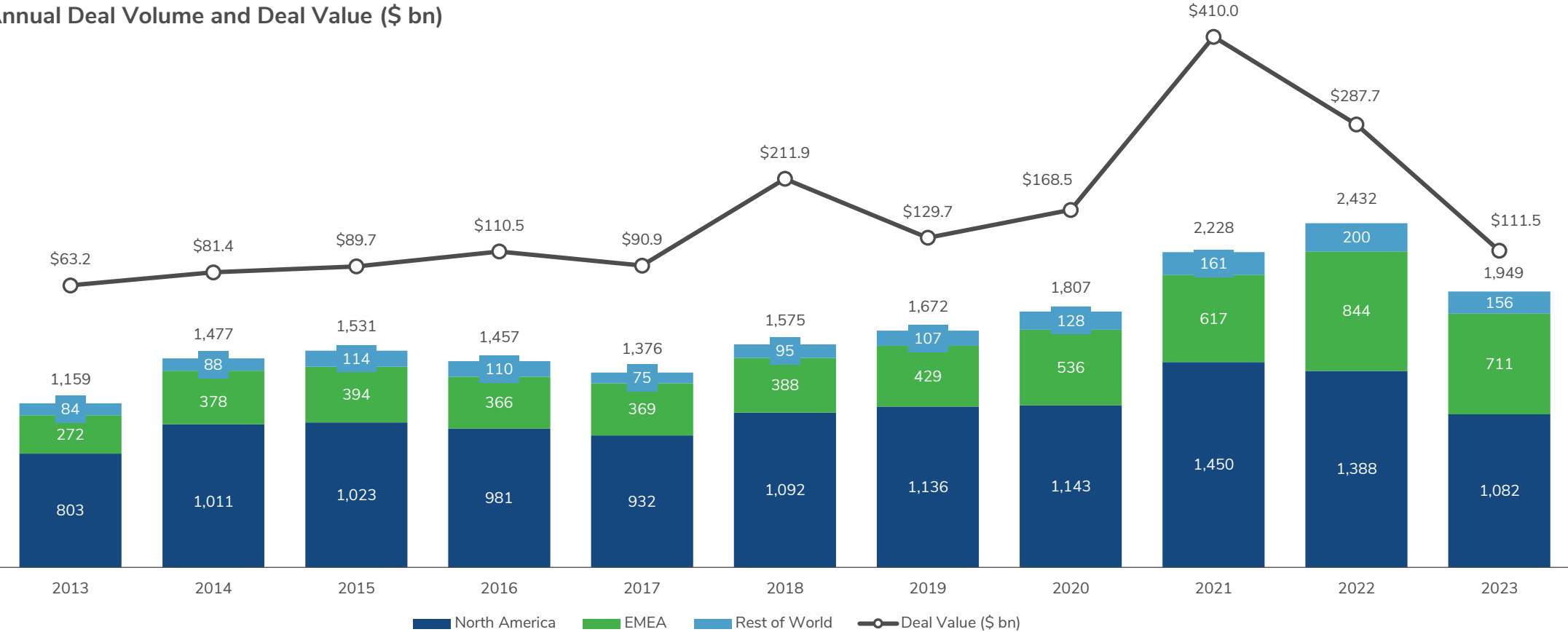
Amid some of the toughest operating conditions experienced by software vendors, the focus on capital and operational efficiency that started in 2022 continued in 2023, as many businesses focused on cost cutting and internal housekeeping while standing on the sidelines of M&A activity. For some it also marked another year of postponing the day of reckoning on valuation reconciliation, as companies aim to grow back into valuation levels that were set in the heady fundraising days of 2021. Both of these factors contributed to a dearth of M&A opportunities for PE and strategic buyers, although intense competition and strong valuations continued for the highest quality assets that came to market.

Although risks remain front of mind for deal makers, there is no question that conditions today are more supportive for a healthy M&A market in software than a year ago. PE deals in 2023 have been constrained by the divergence in bid/ask spreads between buyers, which look at current credit market and future exit market conditions, and sellers, which look at recent, elevated valuation benchmarks. The passage of time has helped narrow this spread, leading to pent-up demand on both sides to get deal machine wheels spinning freely again. There are limits to how long dry powder can sit on the sidelines, and many deal makers expect to see more capital deployed in 2024 as these issues resolve. Strategic buyers have been supported by more buoyant public equity market conditions, seeing an increase of 13% in median public equity multiples over Q4 2023, and they have started to selectively engage in M&A processes. Investors are being reminded that growth is still the primary driver of value, and capital efficient growth vectors will be on the radar for many buyers during 2024.

Deal Volume Held Above Pre-2021 Levels but Deal Value Regressed to 2017 Levels

Deal Activity (Volume) in North America Reached Lowest Level Since 2017

Annual Deal Volume and Deal Value (\$ bn)



Source: 451 Research as of December 31, 2023

Absence of Mega Deals in Q4 2023 Led to Lowest Quarterly Deal Value Since Q2 2020

Deal Value for Deals <\$1 bn 19% Below Long-Term Median of c. \$10 bn

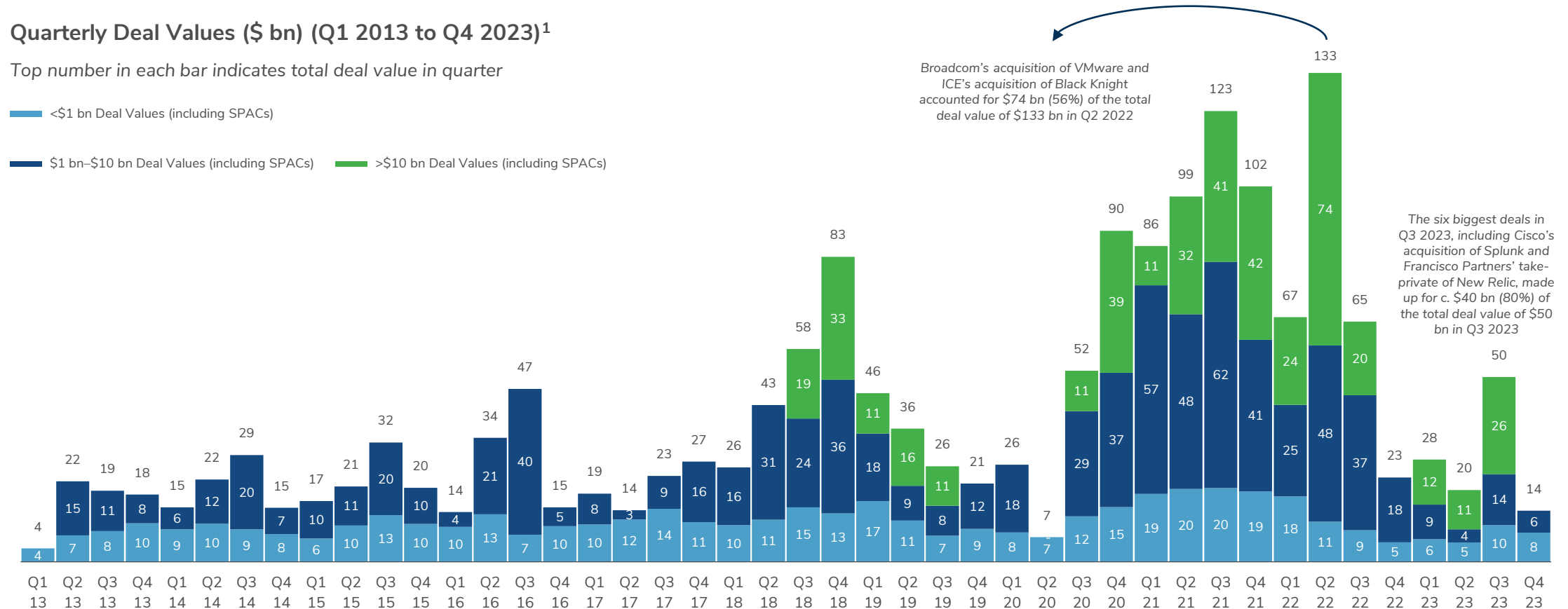
Quarterly Deal Values (\$ bn) (Q1 2013 to Q4 2023)¹

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)



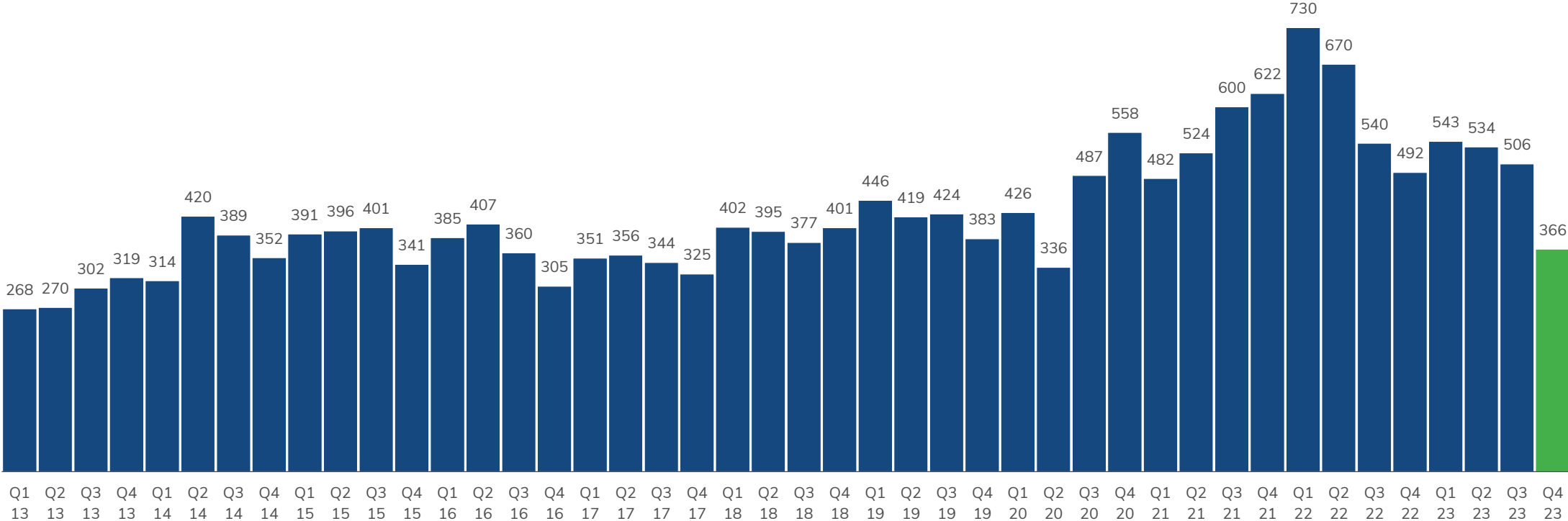
¹Between January 1, 2013, and December 31, 2023; SPAC = Special Purpose Acquisition Company
Source: 451 Research as of December 31, 2023

Deal Volume Dropped Below 400 Mark for the First Time Since Q2 2020

Q4 2023 Deal Activity Was 26% below Last Year’s Activity and 14% below the Long-Term Average of 424 Deals


Quarterly Deal Volume (Q1 2013 to Q4 2023)¹

Top number in each bar indicates total deal volumes in quarter



¹Between January 1, 2013, and December 31, 2023
Source: 451 Research as of December 31, 2023


Top Six Software Acquisitions over Q4 2023 by Deal Value

December 2023
alteryx
 acquired by
 **INSIGHT PARTNERS**

Alteryx provides generative AI-based analytics software for businesses in the financial services, retail, healthcare, public sector, manufacturing, education, and oil and gas sectors globally. Software provides features for workflow management, data profiling, preparation, blending, reporting, and predictive analysis.

As organizations become increasingly data driven and focused on utilizing AI technology, Clearlake sees a tremendous growth opportunity for Alteryx's new AI products and feature-rich cloud solutions. Clearlake also sees an opportunity to further its reputation as an innovator in the data preparation and data analytics markets. Clearlake's expertise in the technology sector and in accelerating growth, coupled with Alteryx's talented team and impactful mission, is a winning formula for enterprises looking to use data to improve and scale their businesses.



\$4.4 bn **4.8x**

October 2023

 acquired by
ATLASSIAN

Loom provides AI-driven and video-based work communication SaaS, software, chrome extensions, related SDKs, and mobile applications for businesses in the U.S. Loom provides features that enable users to capture, record and narrate a video that can be instantly shared with a link, without switching applications or uploading content.

By integrating Loom's asynchronous video collaboration with its products, Atlassian should be able to support collaboration for hybrid teams working across multiple locations and time zones, which has emerged as a key market requirement amid the shift to hybrid work post-pandemic. Additionally, it aligns with trends influencing the evolution of productivity and collaboration technology — namely, the increasing relevance of communications-enabled workflows.

\$975 mn **N/A**

December 2023

 acquired by
 **LEONARD GREEN & PARTNERS**

IRIS Software provides ERP SaaS for businesses globally. IRIS provides features for accounting, payroll and HR management, education management, budgeting, biometrics, financial management and managed hosting services.

LGP will take a co-controlling stake in the business, supporting IRIS's expansion of its U.S. business, which now accounts for over 25% of group revenues, with its local presence and network. Hg will retain a co-controlling stake in IRIS in acknowledgement of Hg's transatlantic capabilities and strong 20-year relationship and experience working with the IRIS team. As part of the transaction, ICG will remain as a minority investor in the business.


\$4.0¹ bn **9.0x**

October 2023
WGSN
 acquired by
Apax

WGSN provides AI-based consumer trend forecasting and retail analytics SaaS for businesses globally. WGSN's market and trend expertise, proprietary data and advanced data science and analytics capabilities enable it to provide consumer insights and trend forecasts to both global corporations and small-and-medium-size enterprises in a wide range of industries, including fashion, home and interiors, food and drink, beauty, health and wellness, automotive, finance and lifestyle.

The split from its parent company Ascential allows the business to flourish and take the next steps to pursue its own individual ambitions. With Apax's significant sector knowledge and financial support, WGSN will be able to accelerate its growth in a data-driven world.



\$848 mn **6.6x**

October 2023
EngageSmart
 acquired by
 **VISTA**

EngageSmart provides customer engagement and payments management SaaS for businesses in the health and wellness, government, utilities, nonprofits, and financial services sectors globally. EngageSmart provides features for scheduling, client onboarding, practice management, EHR, client communication, paperless billing and invoicing, electronic payment processing, and digital fundraising.

After two years as a public company, EngageSmart is heading private as Vista is acquiring 65% of EngageSmart. EngageSmart is a demonstrated leader in delivering mission-critical solutions for modern businesses and simplifying customer and client engagement for over a hundred thousand organizations. The investment will help it to continue to innovate, scale and empower organizations to better serve their customers.

\$2.5 bn **10.3x**

October 2023

 acquired by
 **INSTRUCTURE**

Parchment provides credential management SaaS for universities, businesses and governments. Parchment enables the issuance and receipt of academic and professional credentials, such as transcripts and certifications.

Increasingly, learning happens through "non-traditional" channels, and Instructure believes this is a key strategic area of growth. With Parchment, Instructure expects to provide a set of solutions that connect learners, institutions and employers across a learner's journey — from the first search for a course or program to employment. By adding Parchment to the Instructure Learning Platform, Instructure will provide a verifiable and comprehensive digital passport of achievement records and outcomes for learners. The acquisition will open new pathways for growth with multiple new solution categories.

\$835 mn **N/A**

EHR = Electronic Health Record, ERP = Enterprise Resource Planning, SDK = Software Development Kit, LTM = Last Twelve Months;
 1 Enterprise Value; 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, 2023



Other Notable Software Deals during Q4 2023

Strategic Deals (Q4 2023)

Date	Target	Acquirer	Deal Value and Multiple ¹	Target Abstract
Oct-23	Flywheel	OmnicomGroup	\$835 mn N/A	Digital commerce management SaaS
Dec-23	PAGERO	VERTEX ³	\$555 mn 6.5x	E-invoicing & indirect tax solutions
Nov-23	CORVUS	TRAVELERS	\$435 mn N/A	Cyber insurance management & underwriting SaaS
Nov-23	fub	Zillow GROUP*	\$400 mn N/A	Real estate CRM SaaS
Oct-23	LIVEVOX	NICE	\$382 mn 2.6x	CCaaS SaaS
Oct-23	payzer	wex	\$250 mn N/A	Field service management SaaS
Oct-23	VERVE	Rockwell Automation	\$185 mn 5.8x	Endpoint management SaaS
Nov-23	Alphamindo Tech	鼎林居	\$180 mn N/A	Insurance SaaS & agency services
Dec-23	NOKIA Device Mngmt & Service Mngmt Business	LUMINE	\$164 mn N/A	Device & customer experience mgmt. software
Nov-23	Clearbit	HubSpot	\$150 mn 3.0x	Marketing intelligence SaaS
Oct-23	VIRTUALHEALTH	VPP BIOLIFE	\$123 mn N/A	Virtual healthcare management SaaS

PE Deals² (Q4 2023)

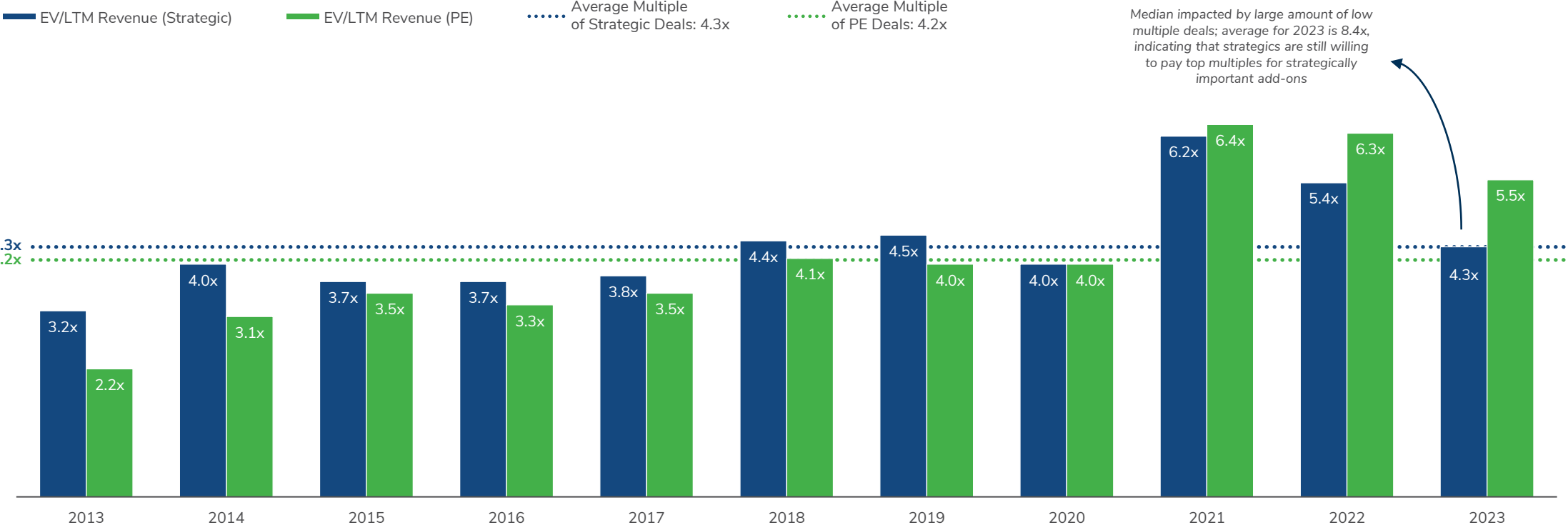
Date	Target	Acquirer ²	Deal Value and Multiple ¹	Target Abstract
Nov-23	EQS GROUP	THOMABRAVO	\$435 mn 6.1x	Compliance & investor relations management SaaS
Oct-23	TESSIAN	proofpoint THOMABRAVO	\$300 mn 7.5x	Email security & data protection SaaS
Oct-23	Trustwave*	MC2 Titanium TheChertoffGroup	\$205 mn N/A	Managed detection & response SaaS
Oct-23	JTL	Hg	\$200 ⁴ mn N/A	ERP & e-commerce management SaaS
Oct-23	TRIBAL	ellucian VISTA Blackstone	\$193 mn 2.0x	Educational ERP & CRM SaaS
Nov-23	CLOUDBREAK	GTCR	\$180 mn N/A	Healthcare language interpretation SaaS
Nov-23	QQ	Sumeru	\$176 mn 2.7x	Capital markets access SaaS
Nov-23	CIVICA	Blackstone	N/A	Public sector management SaaS
Nov-23	G TEC	CARLYLE	N/A	BPM, DPA & GRC SaaS
Dec-23	sogelink	CVC	N/A	Business process management SaaS
Dec-23	HYPERGENE	THOMABRAVO	N/A	CPM & ERP SaaS

BPM = Business Process Management, CCaaS = Contact Center as a Service, CPM = Corporate Performance Management; CRM = Customer Relationship Management, DOOH = Digital Out-of-Home, DPA = Digital Process Automation, ERP = Enterprise Resource Planning, GRC = Governance, Risk, and Compliance; 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; 3 Vertex offer pending approval as of December 31, 2023; 4 Number represents Enterprise Value; All trademarks, trade names or logos referenced herein are the property of their respective owners
Source: 451 Research as of December 31, 2023

Strategics in Line with Long-Term Average, while PEs Are Returning at a Slower Rate

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

Annual Median Deal Multiples

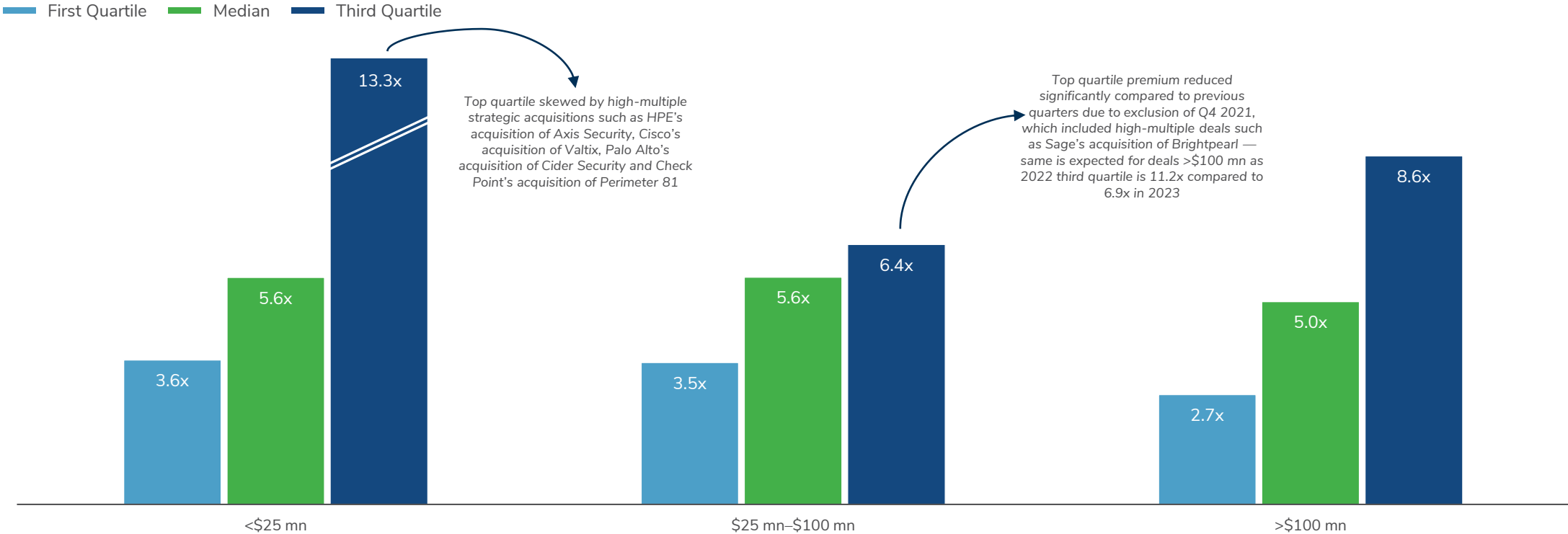


EV = Enterprise Value or Market Capitalization + Total Debt – Cash; LTM = Last 12 Months
 PE deals include acquisitions made by PE-backed strategics.
 Source: 451 Research as of December 31, 2023

SaaS Deal Multiples by Quartile and Target Revenue

Third-Quartile Multiples Command Average Premiums of 14%–138% 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 January 1, 2022, and December 31, 2023; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions.
 Source: 451 Research and Mergermarket as of December 31, 2023

Kroll's Technology M&A Practice Tracked Software Universe



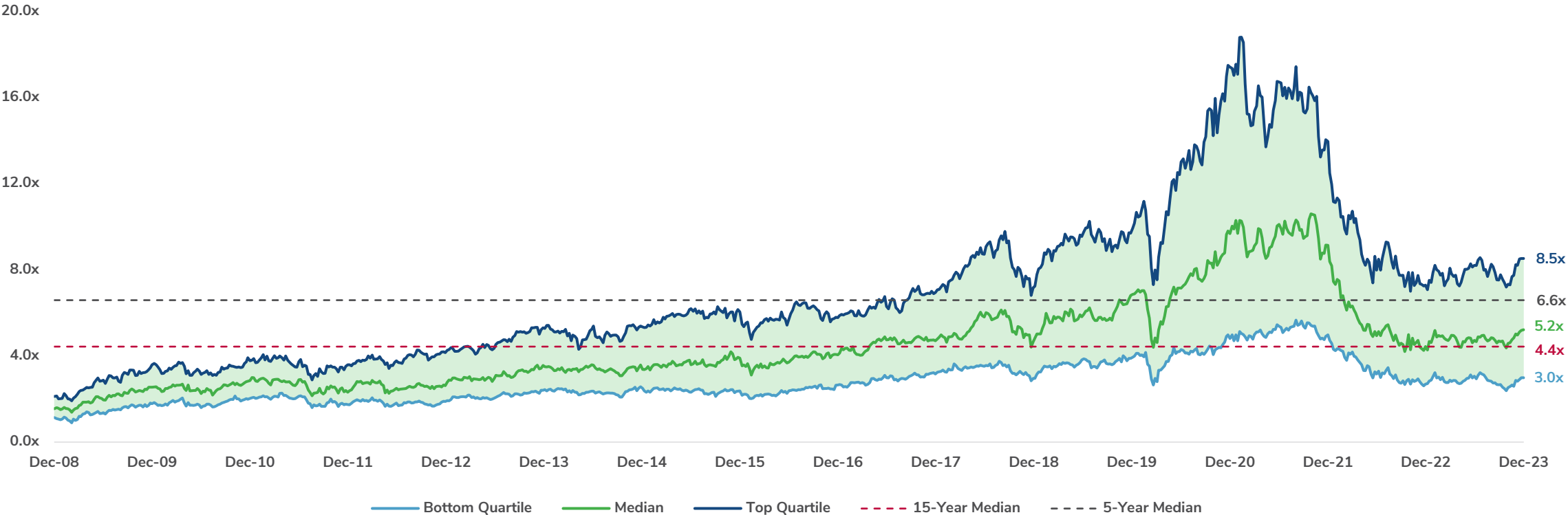
BI = Business Intelligence; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management
 Source: S&P Global Market Intelligence as of December 31, 2023, including the most actively traded software companies for respective covered sectors and excluding most microcap companies.
 All trademarks, trade names, or logos referenced herein are the property of their respective owners.

SaaS Companies' EV/NTM Multiples Have Stabilized and Recovered from the 15-Year Median Floor

Top Quartile Closed the Year at a High of 8.5x EV/NTM Revenue Versus a Year Low of 7.2x

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

EV/Next 12 Months Revenue



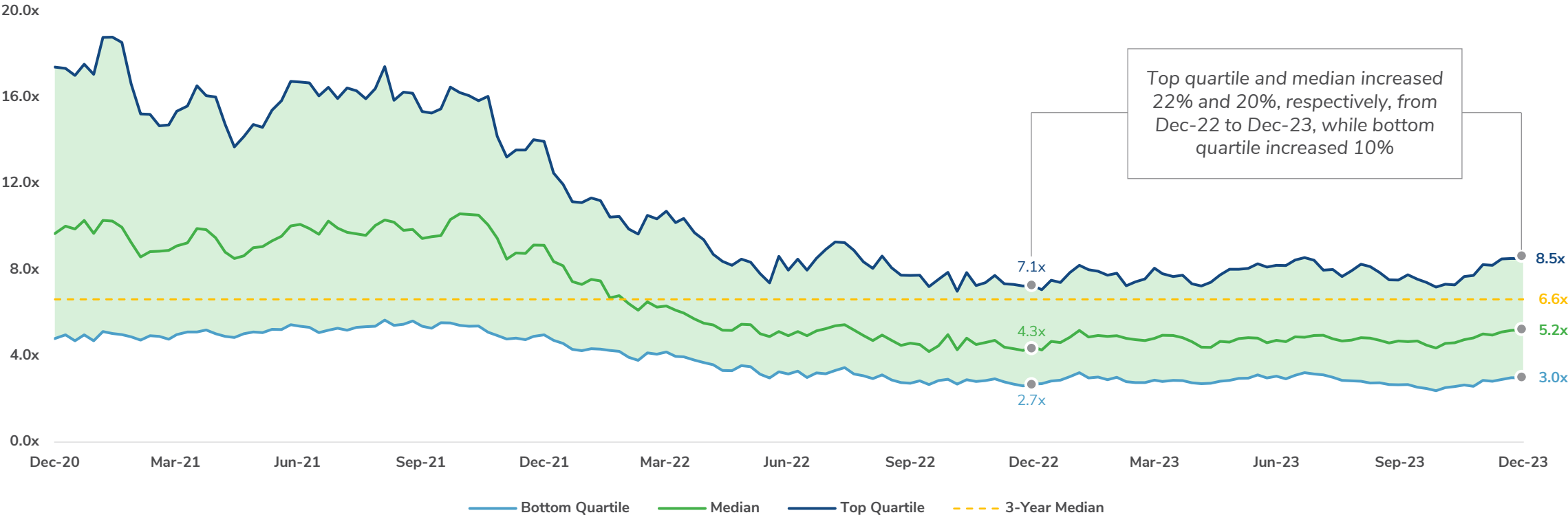
Our Technology M&A Practice SaaS Index includes 218 companies that offer SaaS solutions
 Source: Capital IQ as of December 31, 2023

EV/NTM Revenue Multiples Recovered in Q4 Across the Board

Top Quartile Has Reached the Highest Level since Q3 2022, with an Improvement of 13% in Q4 2023 to 8.5x

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

EV/Next 12 Months Revenue

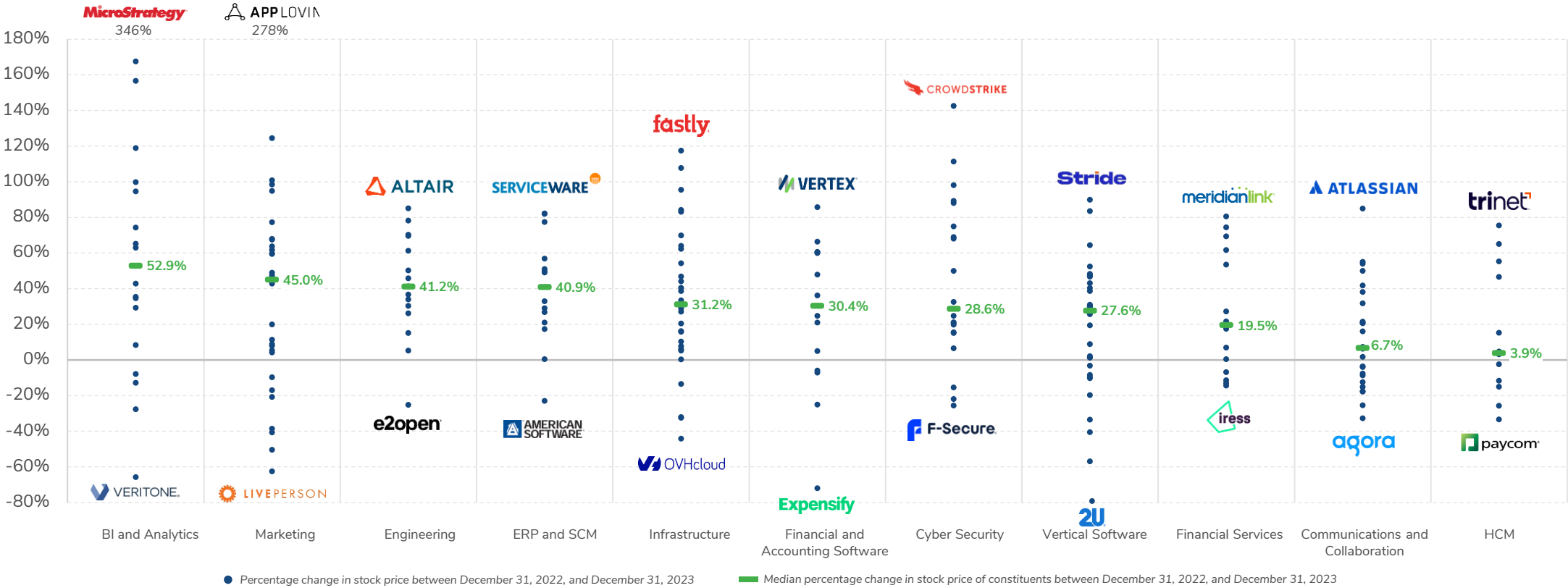


Our Technology M&A Practice SaaS Index includes 218 companies that offer SaaS solutions
 Source: Capital IQ as of December 31, 2023

Last 12 Months Performance of Stock Prices

Considerable Differences between High- and Low-Performing Categories

Performance of Our Technology M&A Practice’s Tracked Software Universe between December 31, 2022, and December 31, 2023

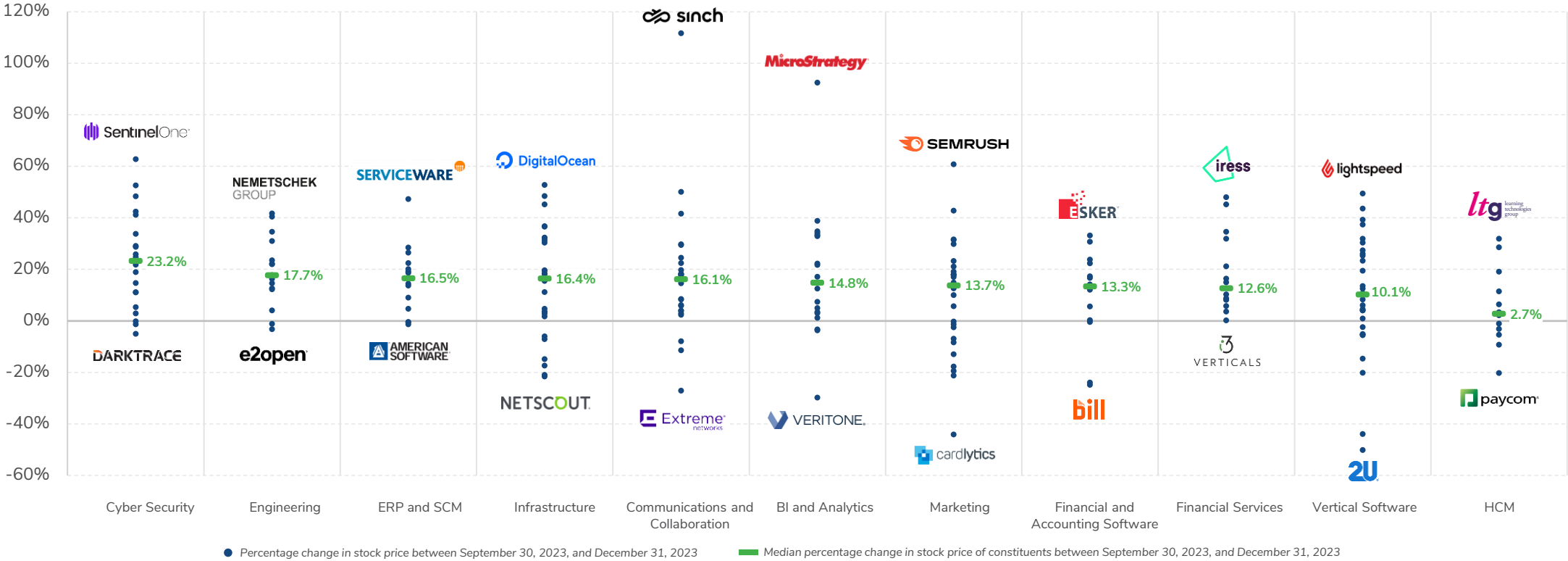


BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Does not include companies listed post December 31, 2022; Buckets ordered by median percentage change in stock price between December 31, 2022, and December 31, 2023; All trademarks, trade names, or logos referenced herein are the property of their respective owners. Source: Capital IQ as of December 31, 2023

Quarterly Performance of Stock Prices

Positive Growth Across all Software Sectors in the Last Quarter

Performance of Our Technology M&A Practice’s Tracked Software Universe between September 30, 2023, and December 31, 2023

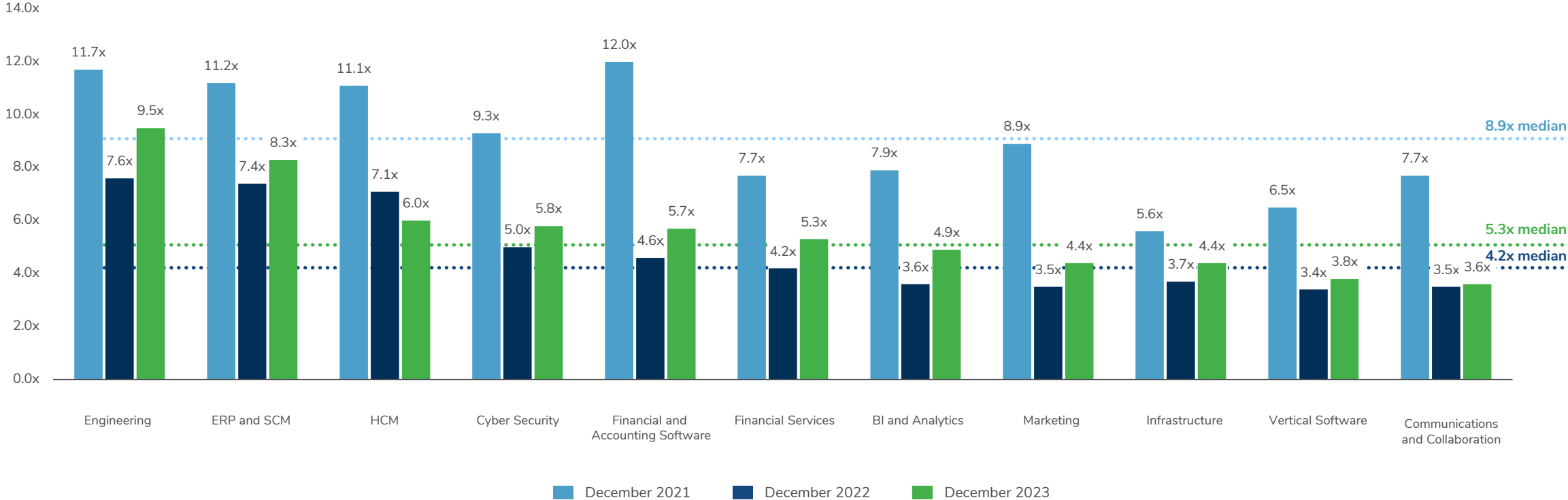


BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Does not include companies listed post September 30, 2023; Buckets ordered by median percentage change in stock price between September 30, 2023, and December 31, 2023; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of December 31, 2023

Multiples Across Subsectors Starting to Recover after Significant Decline in 2022

Increase in Multiples Across Almost All Subsectors for December 2023 vs. December 2022

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



BI = Business Intelligence; CRM = Customer Relationship Management; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management; Buckets ordered by December 2023 revenue multiples
 Source: Capital IQ as of December 31, 2023



Select Recent Kroll Technology M&A Transactions




has been acquired by

January 2024


has been acquired by

November 2023


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




All trademarks, trade names, or logos referenced herein are the property of their respective owners.

Key Subsectors of Focus for Our Technology M&A Practice

Verticals of Focus

 Retail & Commerce	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 
 Financial Services	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has received funding from 
 Health Care	 has been acquired by 	 has been acquired by  a subsidiary of 	 has been acquired by 	 has been acquired by 
 Other Verticals	 a business division of  has been acquired by 	 has been acquired by 	 has been acquired by 	 has received growth equity investment from 

Thematic Areas of Focus

 Data & Analytics	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 
 Marketing Tech	 has received a majority investment from 	 has been acquired by 	 has been acquired by 	 has been acquired by 
 Cybersecurity	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 
 Networking Tech	 has been acquired by 	 has been acquired by 	 has been acquired by 	 has been acquired by 

All trademarks, trade names, or logos referenced herein are the property of their respective owners.

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.



All trademarks, trade names, or logos referenced herein are the property of their respective owners.



For more information, please contact:



Nicholas Collins
Managing Director
Corporate Finance
Palo Alto
+1 650 354 4020
Nicholas.Collins@Kroll.com



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



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



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



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



Bob Bartell, CFA
President
Corporate Finance
Chicago
+1 312 697 4654
Bob.Bartell@Kroll.com



Corey Maurer
Vice President
Corporate Finance
Los Angeles
+1 424 281 6348
Corey.Maurer@kroll.com



Efraim Chalamish
Senior Advisor
Corporate Finance
Israel
+1 212 871 0422
Efraim.Chalamish@Kroll.com

About Kroll

As the leading independent provider of risk and financial advisory solutions, Kroll leverages our unique insights, data and technology to help clients stay ahead of complex demands. Kroll's global team continues the firm's nearly 100-year history of trusted expertise spanning risk, governance, transactions and valuation. Our advanced solutions and intelligence provide clients the foresight they need to create an enduring competitive advantage. At Kroll, our values define who we are and how we partner with clients and communities. Learn more at www.kroll.com.

M&A advisory, capital raising and secondary market advisory services in the United States are provided by Kroll Securities, LLC (member FINRA/SIPC). M&A advisory, capital raising and secondary market advisory services in the United Kingdom are provided by Kroll Securities Ltd., which is authorized and regulated by the Financial Conduct Authority (FCA). Valuation Advisory Services in India are provided by Kroll Advisory Private Limited (formerly, Duff & Phelps India Private Limited), under a category 1 merchant banker license issued by the Securities and Exchange Board of India.

The material in this report is for information purposes only and is not intended to be relied upon as financial, accounting, tax, legal or other professional advice. This report does not constitute, and should not be construed as soliciting or offering, any investment or other transaction, identifying securities for you to purchase or offer to purchase, or recommending the acquisition or disposition of any investment. Kroll does not guarantee the accuracy or reliability of any data provided from third-party resources. Although we endeavor to provide accurate information from third-party sources, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

Download Our Exclusive
Valuation Data to Learn
More:

[Kroll.com/GlobalSoftwareWinter2024](https://kroll.com/GlobalSoftwareWinter2024)

