



Global Software Sector Update

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Industry Insights

Summer 2024



Executive Summary

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H1 Deal Value Close to Surpassing 2023 Deal Value with Already \$134 bn Announced in H1 2024



Number of M&A Deals Declined 22% in H1 2024 Versus H1 2023 as Market Activity Concentrated on Larger Deals



Public EV/NTM Revenue Multiples Declined Moderately in Q2 2024, with the Median Returning to Q2 2023 Level

Key Market Updates

In Q2, central banks largely delayed the expected reversal of interest rate hikes due to persistent inflation and ongoing economic resilience. This has subsequently postponed the anticipated increase in M&A deal activity. The quarter saw an 18% decrease in the number of deals compared to Q1, and a 35% drop in aggregate deal value, primarily due to the lack of any deals exceeding \$10 billion. However, year-on-year data indicates an improving yet more concentrated market environment, with a strong 148% increase in deal value in H1 2024, despite a 22% decrease in the number of deals. Q2 stood out as the most active quarter for deals in the \$1 billion–\$10 billion EV segment over the past two years.

In the public markets, SaaS stocks surrendered some of their gains from the previous year, ending with a median EV/NTM revenue multiple of 4.7x on June 30, 2024, slightly down from 4.8x on June 30, 2023. The top quartile multiple was 7.9x EV/NTM revenue, compared to 8.6x the previous year. The only sectors that saw gains in Q2 were the more resilient, high revenue retention sectors of ERP and supply chain and vertical software, closely followed by the leading sectors from Q1, namely engineering software, business intelligence, analytics, and cybersecurity. IPO activity was relatively quiet in Q2.

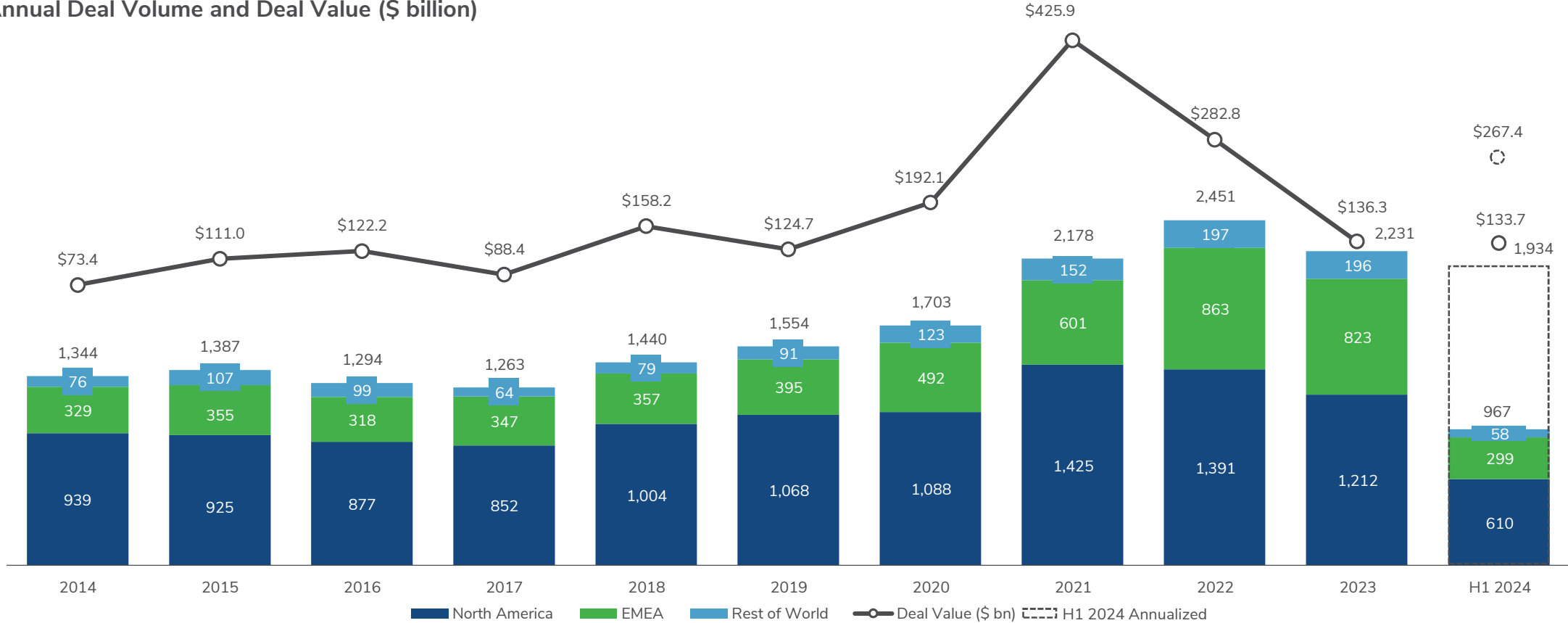
Transaction multiples for both strategic and private equity buyers in the first half of 2024 have stabilized just above the 10-year median at around 4.5x EV/LTM revenues. However, this figure masks a high degree of market polarization, as the most sought-after assets continue to trade at double-digit revenue multiples in high conviction, pre-emptive processes, often to private equity buyers. As one GP recently stated, it is currently the best time to sell in over two years for the right SaaS business.

This situation, characterized by fierce competition for select assets, underscores the increasing eagerness among software investors and strategics to deploy capital, sometimes with all-equity financing and deal documentation being finalized in just a few days. While the announced and completed deal data does not yet indicate an improving market, it's worth noting that these are lagging rather than leading indicators. More forward-looking datapoints include an increase in deal preparation activity, which we and others in our network are observing. Given the rise in deal preparation activity, the summer months this year are expected to be busier than they have been for some time.

H1 Deal Value Close to Surpassing 2023 Deal Value with Two Quarters Left in 2024

Deal Value in Q2 2024 increased by 136% compared to Q1 2024

Annual Deal Volume and Deal Value (\$ billion)



Source: 451 Research as of June 30, 2024

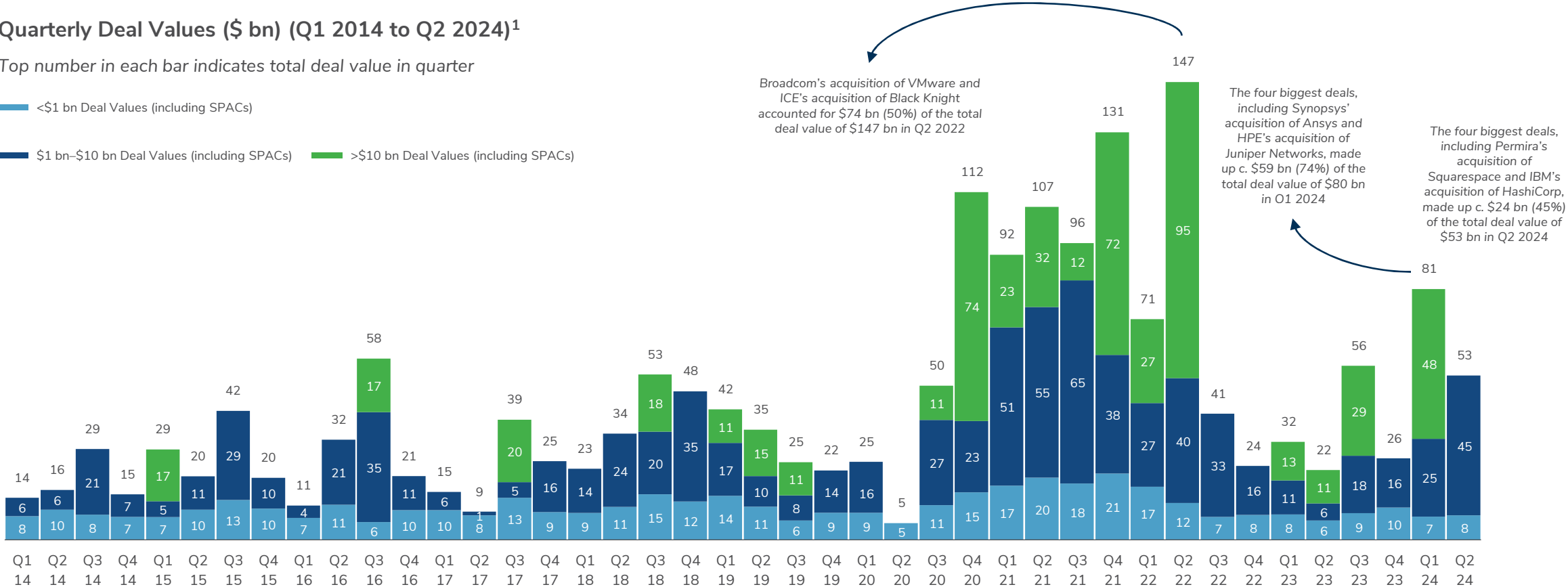
Deals Between 1bn and 10bn Posted Strongest Quarter Since Q3 2021 but with Mega Deals (>10bn) Missing After Q1 Strong Start

Value for Deals <\$1 bn 17% Below Long-Term Median of c. \$9.5 bn

Quarterly Deal Values (\$ bn) (Q1 2014 to Q2 2024)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)



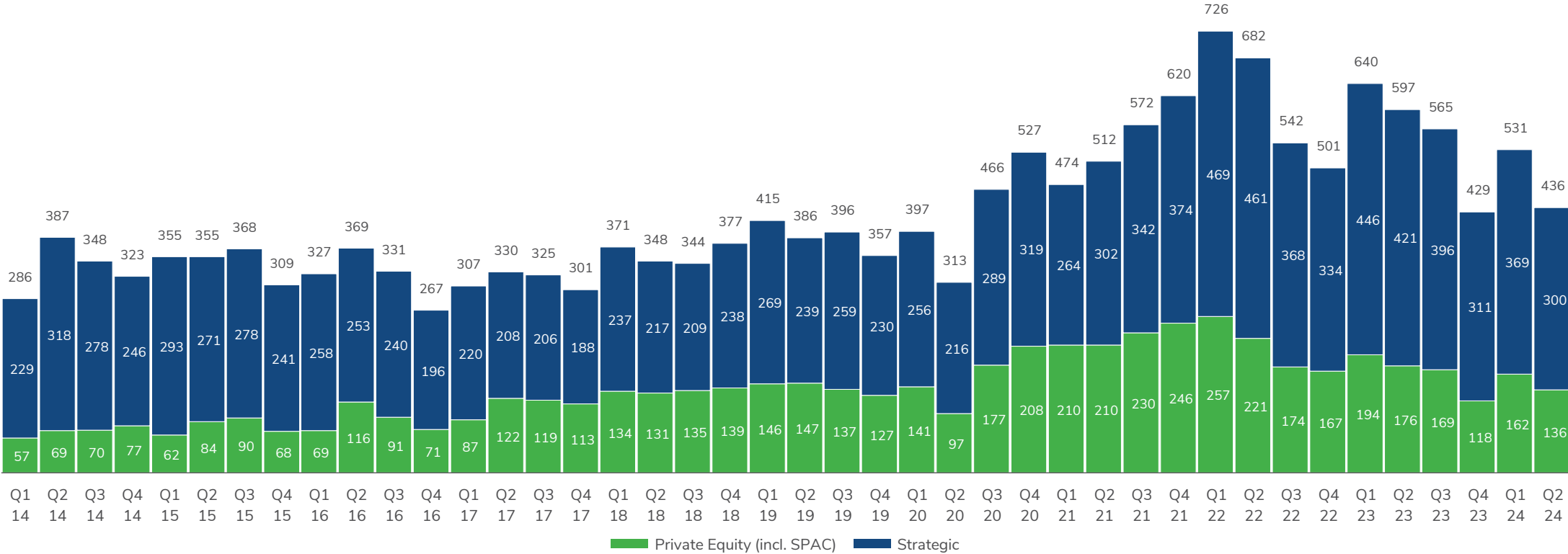
¹Between January 1, 2014, and June 30, 2024; SPAC = Special Purpose Acquisition Company
Source: 451 Research as of June 30, 2024

Notable Decline in Strategic and PE Transactions Brings Q2 Deal Count Under 500, Marking 27% YoY Decrease

PE Deals Comprise 31% of Q2 2024 Transactions, Aligning Closely with 32% Long-Term Average

Quarterly Deal Volume (Q1 2014 to Q2 2024)¹



Top number in each bar indicates total deal volumes in quarter



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

Top Six Software Acquisitions over Q2 2024 by Deal Value

May 2024

 **SQUARESPACE**
acquired by
 **P E R M I R A**

Squarespace is a design-driven platform helping entrepreneurs build brands and businesses online. The company empowers millions in more than 200 countries and territories with the tools they need to create an online presence, build an audience, monetize, and scale their business. Squarespace's suite of products includes websites, domains, ecommerce, and marketing tools, as well as tools for scheduling with Acuity, creating and managing social media presence with Bio Sites and Unfold, and hospitality business management via Tock.

Upon completion of the transaction, Squarespace will become a privately held company with the flexibility and resources to invest in enabling entrepreneurs to build better online brands and more easily transact with their customers.

\$6.9 bn **6.5x**

April 2024



 **DARKTRACE**
acquired by
 **THOMABRAVO**

Darktrace is a global leader in cybersecurity artificial intelligence, with a mission to free the world from cyber disruption. The Darktrace ActiveAI Security Platform provides a full lifecycle approach to cyber resilience that, within seconds, can autonomously spot and respond to known and unknown in-progress threats across an organization's entire ecosystem, including cloud, apps, email, endpoint, network, and operational technology.

Thoma Bravo recognizes that Darktrace is a pioneer in using self-learning artificial intelligence to neutralize cyber threats and automate responses to cyber incidents, leveraging its deep research and development expertise. Thoma Bravo, as a longstanding software investor, aims to bring operational expertise and strong cybersecurity knowledge to support Darktrace's growth.

\$5.0 bn **8.1x**

April 2024

 **HashiCorp**
acquired by
 **IBM**

HashiCorp's Infrastructure Cloud suite of products provides enterprises with extensive Infrastructure Lifecycle Management and Security Lifecycle Management capabilities to enable organizations to automate their hybrid and multi-cloud environments.

IBM is a leading provider of global hybrid cloud and AI, and consulting expertise. The company helps clients capitalize on insights from their data, streamline business processes, reduce costs and gain the competitive edge in their industries. The acquisition reflects IBM's continued focus and investment in hybrid cloud and AI. Combining IBM's portfolio and expertise with HashiCorp's capabilities and talent is intended to create a comprehensive hybrid cloud platform designed for the AI era.

\$6.4 bn **11.0x**

June 2024



 **Aareon**
acquired by
 **TPG**  **CDPQ**

Aareon is a trusted provider of SaaS solutions for the property industry, leading the charge toward a digital future. With its Property Management System, Aareon promotes efficient and sustainable property management and maintenance. The company's portfolio enables seamless, automated end-to-end processes connecting property managers and owners across the residential and commercial real estate sectors.

The transaction and partnership with TPG will provide Aareon access to additional, dedicated resources and expertise to drive innovation and further growth. TPG, a leading global alternative asset management firm, will invest in Aareon with CDPQ, a global investment group, who will co-invest alongside TPG for a minority interest in Aareon.

\$4.2 bn **N/A**

June 2024



 **PowerSchool**
acquired by
 **BainCapital**

PowerSchool is a global education technology company supporting over 55 million students and over 17,000 customers in more than 90 countries. The company brings together K-12 educational and operational technology to support every step of the learning journey.

PowerSchool is a leader in K-12 SaaS technology in North America and is well positioned to provide differentiated, mission-critical solutions that drive better education outcomes, empower educators, and help district operations run more efficiently. With Bain Capital's support, PowerSchool will have access to additional resources and the flexibility to deliver more growth and innovation—particularly with PowerBuddy, PowerSchool's generative AI platform—and scale its global reach in helping schools personalize education for every student.

\$5.6 bn **7.7x**

June 2024

 **PREQIN**
acquired by
 **BlackRock**

Preqin empowers financial professionals who invest in or allocate to alternative assets with essential data and insight to make confident decisions. The company supports them throughout the entire investment lifecycle with critical information and leading analytics solutions. Preqin has pioneered rigorous methods of collecting private data for over 20 years, enabling more than 200,000 professionals globally to streamline how they raise capital, source deals and investments, understand performance, and stay informed.

Bringing together Preqin's data and research tools with BlackRock's Aladdin workflow capabilities in a unified platform will create a preeminent private markets technology and data provider, adding a highly complementary data business to BlackRock's investment technology in a fast-growing sector.

\$3.2 bn **~13x**

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 June 30, 2024



Other Notable Software Deals during Q2 2024

Strategic Deals (Q2 2024)

Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
Apr-24	Matterport	CoStar Group	\$1,600 million 10.1x	3D capturing and digital twin software
May-24	Venafi	CYBERARK	\$1,540 mn 10.3x	Machine identity management software
Jun-24	walkme	SAP	\$1,032 mn 3.8x	Digital adoption and tutorial assistance software
Apr-24	ICD Treasury First	Tradeweb	\$785 mn N/A	Multi-fund investment and risk management software
Jun-24	gocanvas	NEMETSCHKE GROUP	\$771 mn 11.5x	Admin tasks and digital forms creation software
Apr-24	illion	experian	\$532 mn N/A	Credit risk management software
May-24	IBM QRadar SaaS assets	paloalto NETWORKS	\$500 mn 5.0x	Threat detection and response software
May-24	paymerang	Corpay ^A	\$475 mn N/A	Accounts payable automation solutions
May-24	noname	Akamai	\$450 mn N/A	API security software
Jun-24	tock	AMERICAN EXPRESS	\$400 mn N/A	Hospitality reservation and event management software
Apr-24	nanoString	BRÜKER	\$393 mn 2.4x	Scientific and clinical research software

PE Deals² (Q2 2024)

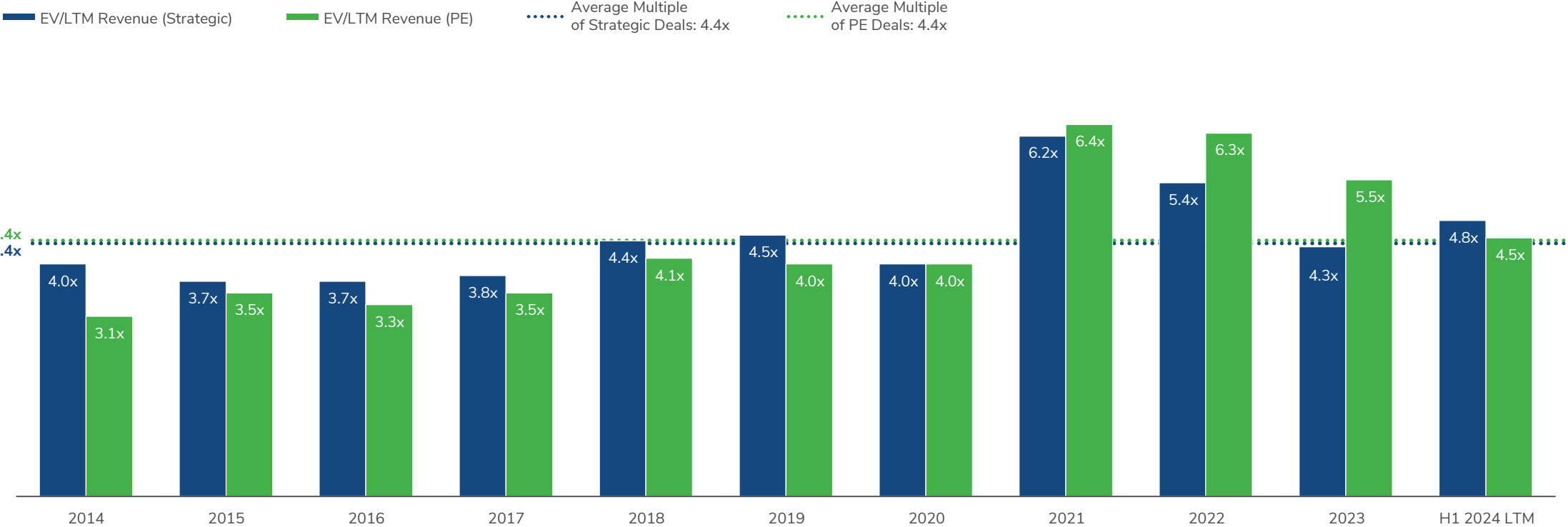
Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
May-24	AUDITBOARD	Hg	\$3,000 mn N/A	Audit, risk, compliance and ESG management software
Apr-24	ASSETMARK	GTCR	\$2,529 mn 3.6x	Portfolio and wealth management software
May-24	SYNOPTIS [®] Software integrity business	CLEARSCALE FP FRANCISCO PARTNERS	\$1,625 mn N/A	Application security testing software
May-24	BioCatch	PERMIRA	\$1,300 mn N/A	Digital fraud detection and crime prevention software
Apr-24	Model N	VISTA	\$1,170 mn 4.6x	Revenue optimization and compliance software
May-24	lumapps	Bridgepoint	\$650 mn 9.3x	Employee intranet software
Jun-24	copperleaf	IFS IEQT	\$564 mn 8.8x	Enterprise decision analytics software
May-24	exabeam	LogRhythm	\$500 mn 3.3x	Security analytics and automation software
May-24	IQGeo	KKR	\$405 mn 7.2x	Geospatial network management software
Apr-24	ADTHEOARENT	CADENT NOVA CAP	\$228 mn 1.3x	Cross-device programmatic advertising software
Apr-24	zellis	Apax	N/A	Payroll and HRM SaaS

ESG = Environmental, Social, and Governance; HRM = Human Resource Management; 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 June 30, 2024

Strategic Deal Multiples Rebounded in H1 2024, with PE Deal Multiples Continuing Downward Trend

Strategic and PE Valuation in Line with Long-Term Average

Annual Median Deal Multiples

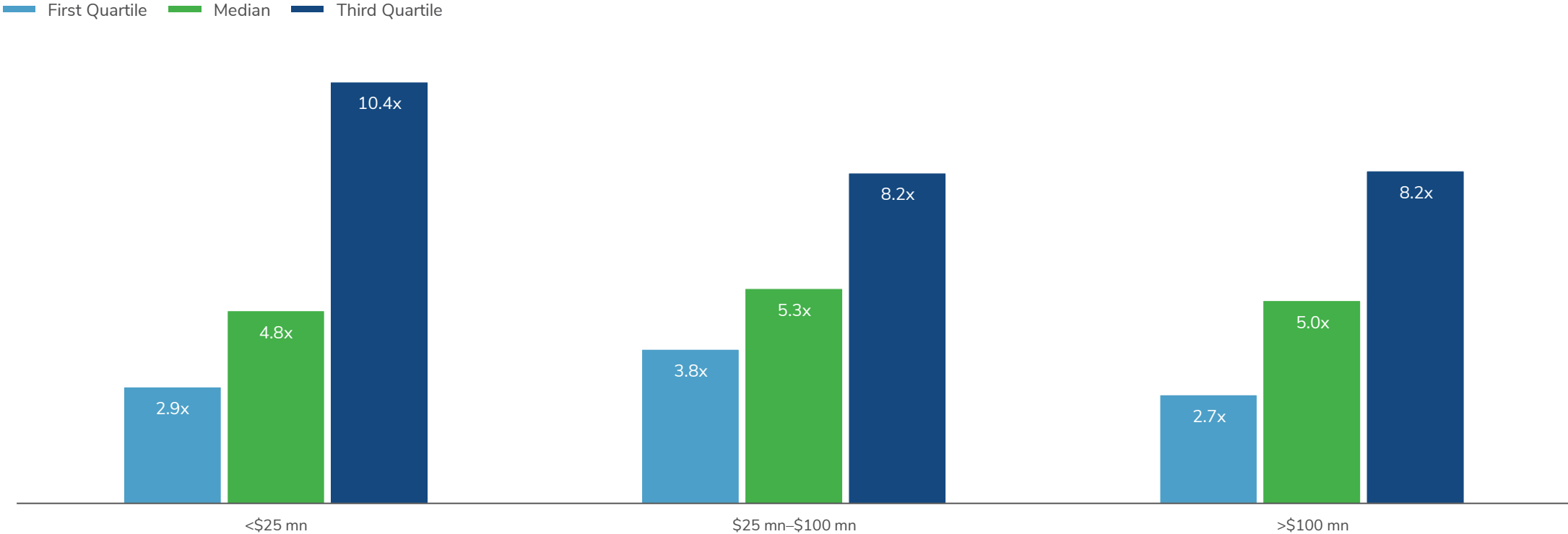


EV = Enterprise Value or Market Capitalization + Total Debt – Cash
 PE deals include acquisitions made by PE-backed strategics
 Source: 451 Research as of June 30, 2024

SaaS Deal Multiples by Quartile and Target Revenue

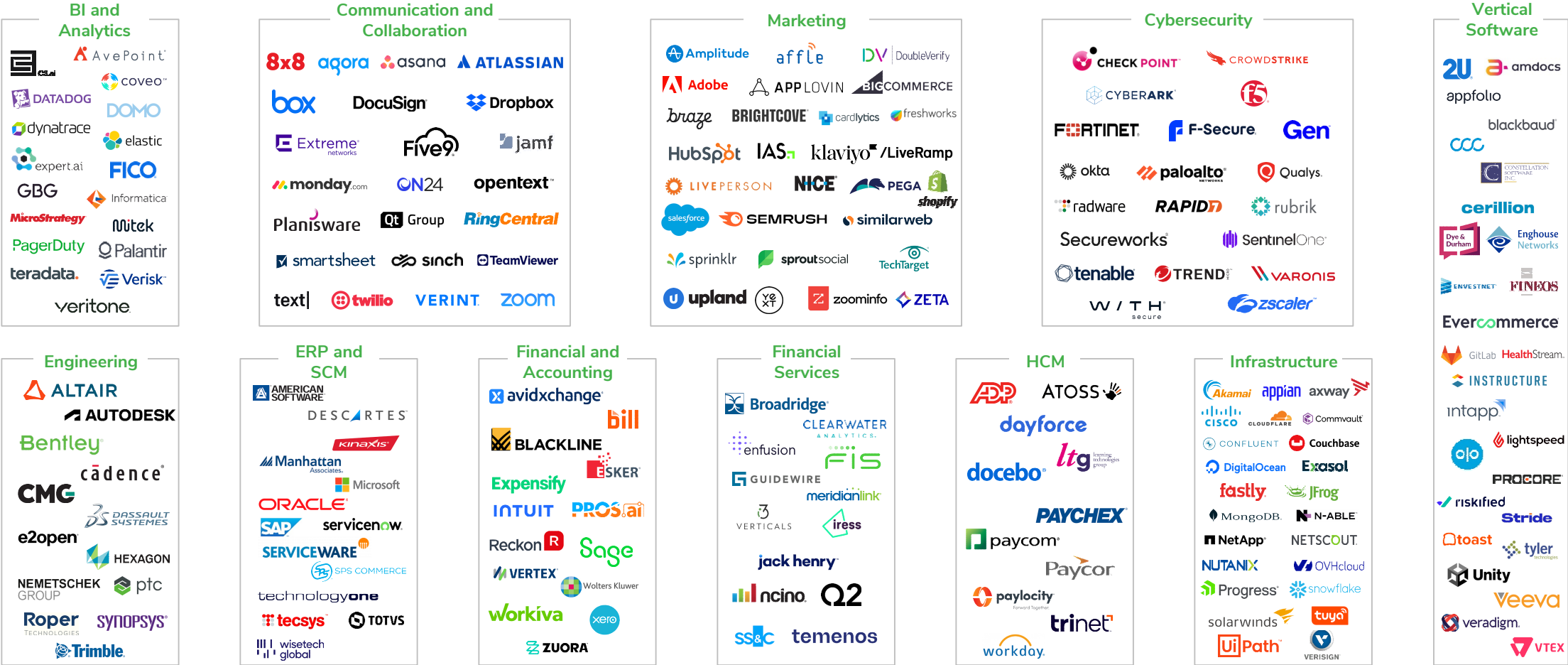
Third-Quartile Multiples Command Average Premiums of 54%–119% vs. Median

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 June 30, 2022, and June 30, 2024; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions
Source: 451 Research and Mergermarket as of June 30, 2024

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



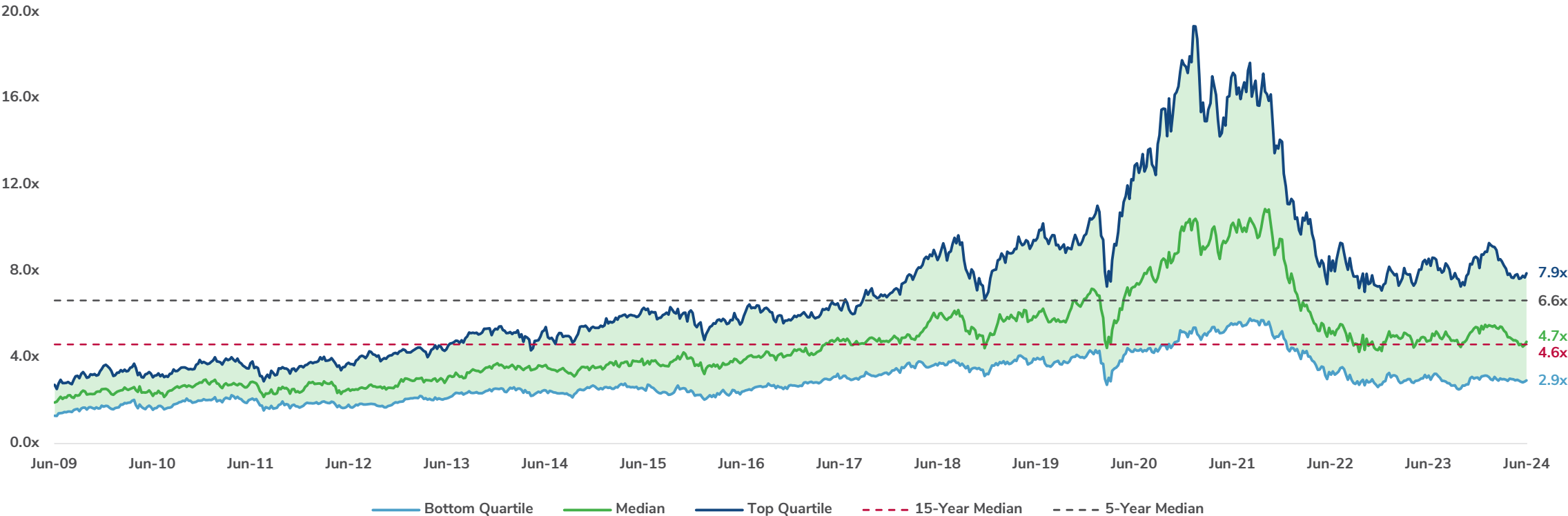
BI = Business Intelligence; ERP = Enterprise Resource Planning; HCM = Human Capital Management; SCM = Supply Chain Management
 Source: S&P Global Market Intelligence as of June 30, 2024, including the most actively traded software companies for respective covered sectors and excluding most microcap companies
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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 4.7x EV/NTM Revenue Versus Long-Term Average of 4.6x

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

EV/NTM Revenue



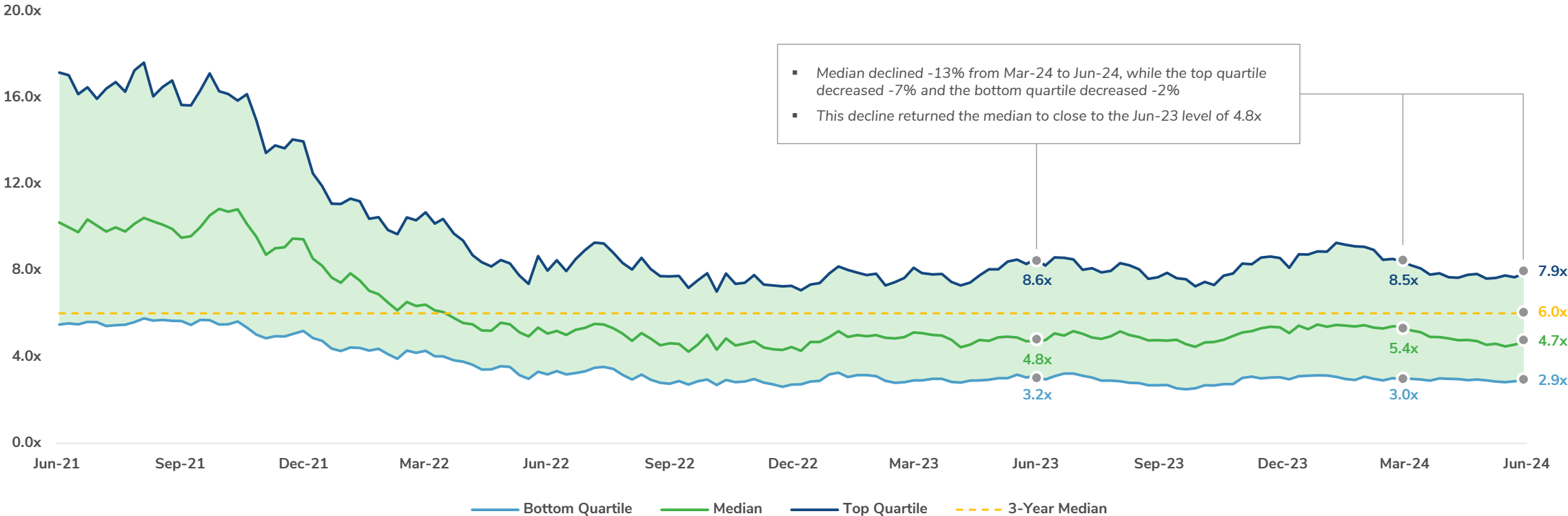
Our Technology Investment Banking Practice SaaS Index includes 205 companies that offer SaaS solutions; NTM = Next Twelve Months
Source: Capital IQ as of June 30, 2024

EV/NTM Revenue Multiples Declined Moderately in Q2 2024, with the Median Returning to Q2 2023 Level

Median Multiple Declined -13% to 4.7x in the Quarter Ending June 2024, Returning to the June 2023 Level of 4.8x

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

EV/NTM Revenue

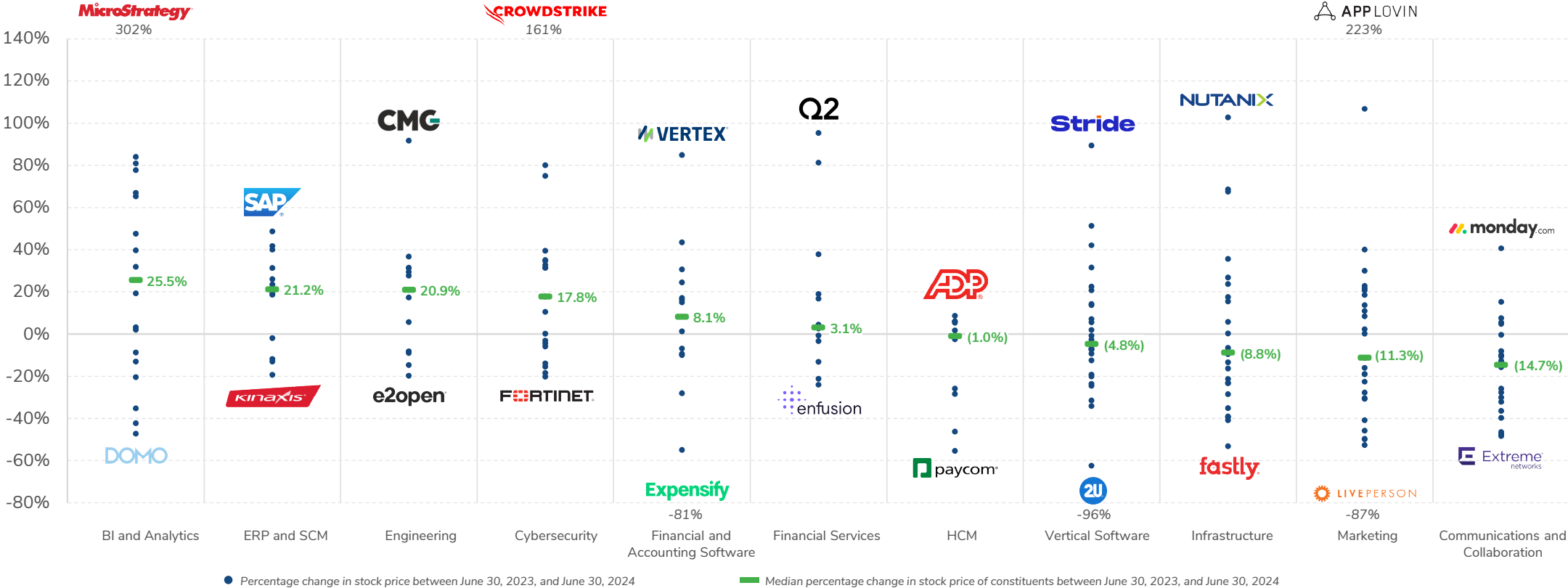


Our Technology Investment Banking Practice SaaS Index includes 205 companies that offer SaaS solutions; NTM = Next Twelve Months
Source: Capital IQ as of June 30, 2024

Last 12 Months Performance of Stock Prices

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

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

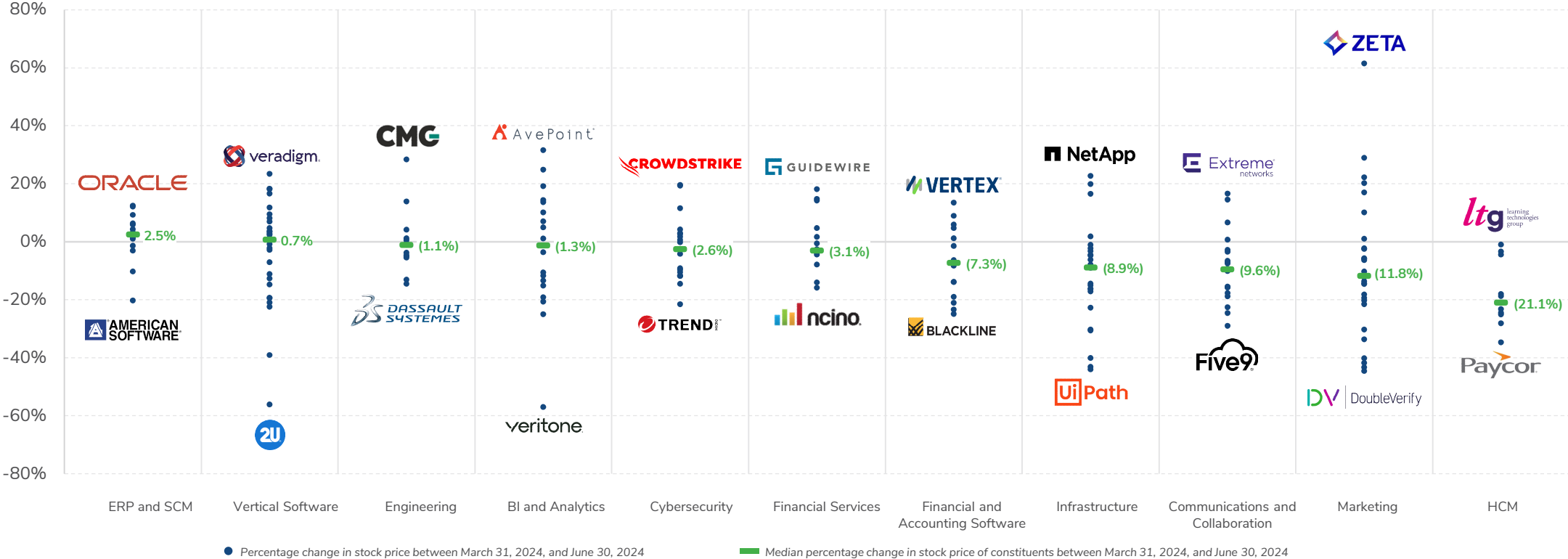


Does not include companies listed after June 30, 2023; Buckets ordered by median percentage change in stock price between June 30, 2023, and June 30, 2024; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of June 30, 2024

Quarterly Performance of Stock Prices

Most Software Subsectors Experienced Modest Declines in Q2 2024

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

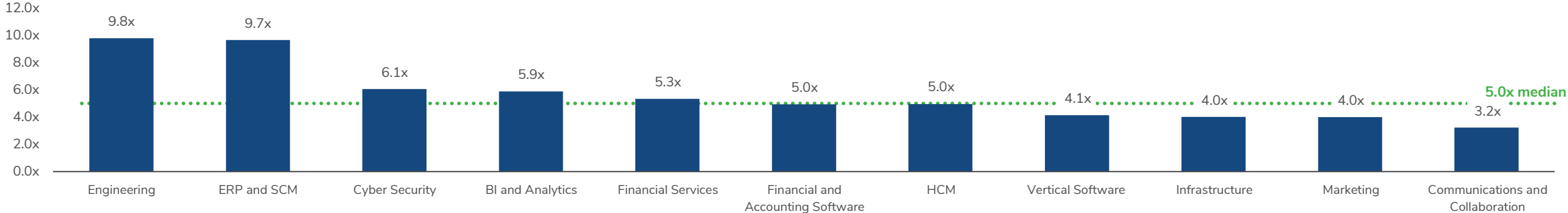


Does not include companies listed after March 31, 2024; Buckets ordered by median percentage change in stock price between March 31, 2024, and June 30, 2024; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of June 30, 2024

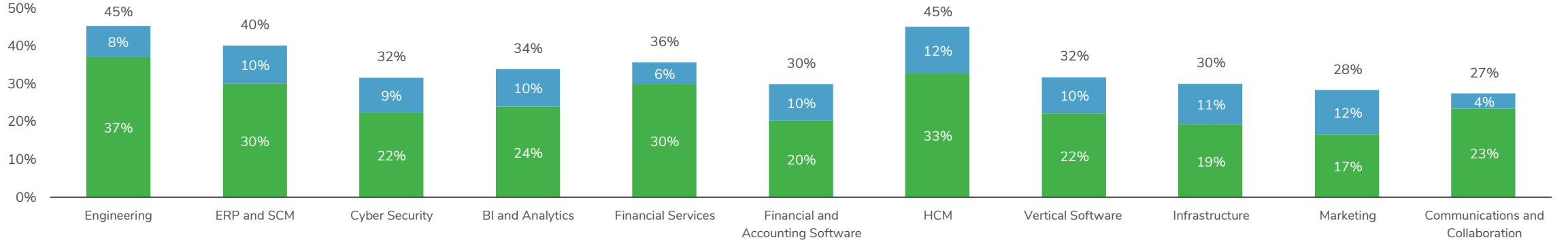
Significant Differences Exist in Multiples Between Software Subsectors

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

EV/CY24 Revenue Multiples, June 2024









































































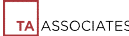




Revenue Growth & EBITDA Margins, June 2024



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

■ CY24 Revenue Growth ■ CY24 EBITDA Margin

Key Subsectors for Our Technology Investment Banking Practice

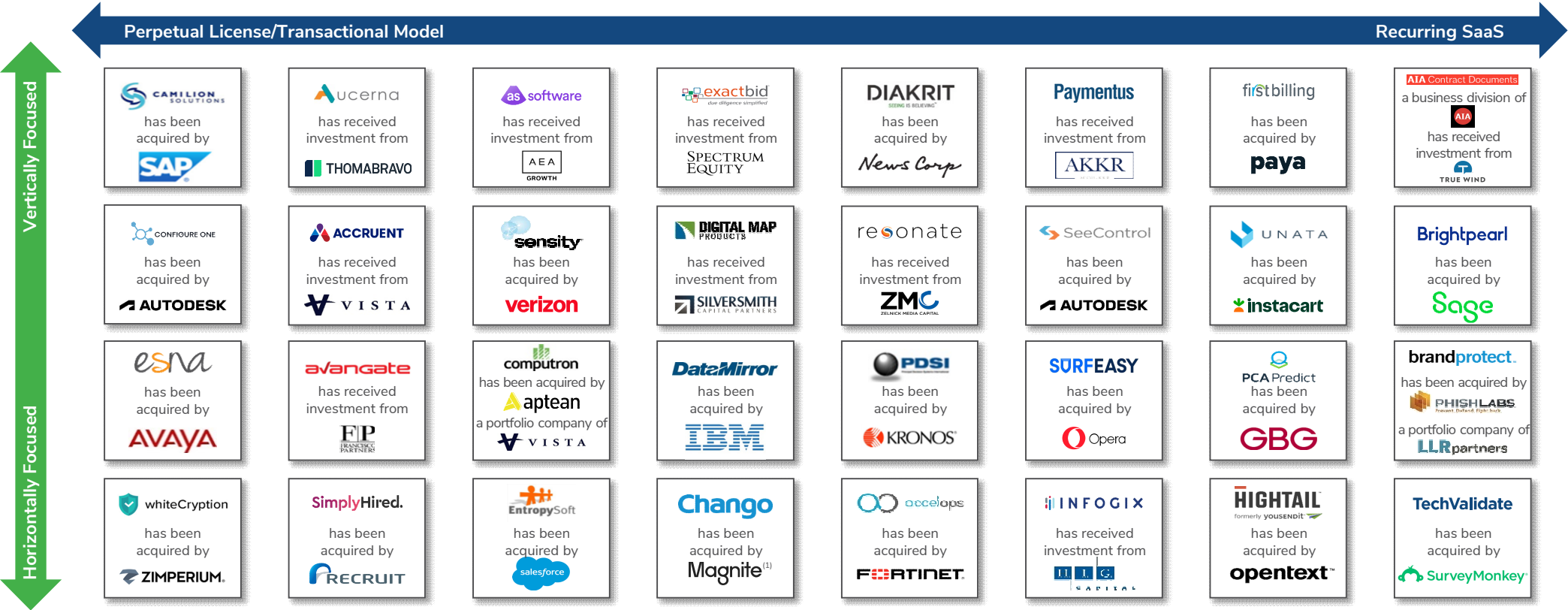
 <p>Vertical Software</p>	 <p>has received investment from</p> 	 <p>a business division of</p>  <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>Data & Analytics</p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has received investment from</p> 	 <p>has been acquired by</p> 
 <p>Fintech & Payments</p>	 <p>has been acquired by</p> 	 <p>a portfolio company of</p>  <p>has received investment from</p> 	 <p>has been acquired by</p> 	 <p>has received investment from</p> 	 <p>Marketing & AdTech</p>	 <p>has received investment from</p> 	 <p>has received investment from</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 
 <p>Retail & Commerce</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>Cybersecurity & Risk</p>	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has received investment from</p> 
 <p>Consumer Tech</p>	 <p>has been acquired by</p>  <p>a subsidiary of</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 	 <p>Office of the CFO</p>	 <p>has been acquired by</p> 	 <p>has received investment from</p> 	 <p>has been acquired by</p> 	 <p>has been acquired by</p> 

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 Note: (1) Magnite formerly known as Rubicon Project

Distinguished Enterprise Software Franchise

Our Technology Investment Banking Practice (formerly Pagemill Partners) has completed more than 300 transactions, the majority of which are in enterprise software:

- We are industry leaders in leveraging 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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 Note: (1) Magnite formerly known as Rubicon Project


Select Recent Kroll Technology Investment Banking Transactions

 **MAGZTER**


has been acquired by

 **VERSE**

April 2024

 **screendragon**

has received investment from

 **Kennet**
Federated
Hermes

February 2024

 **geoblink**

has been acquired by

 **mytraffic**

January 2024

 **LUXSCI**

has received investment from

 **MAIN**
CAPITAL PARTNERS


November 2023

 **BCN
MONETIZE**


has been acquired by

 **entravision**

May 2023

 **lineup**

has been acquired by

 **Chartbeat**

March 2023

 **Aerial Armor**

has been acquired by

 **Dedrone**

December 2022

 **CARD.COM**

has been acquired by

 **ECHO** PAYMENT
SYSTEMS

September 2022

 **resonate**

has received investment from

 **ZMC**
ZELNICK MEDIA CAPITAL

July 2022

 **NXC IMAGING**

has been acquired by

 **Canon**

July 2022

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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.

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