SOFTWARE
Q2 MARKET UPDATE

April to June 2024

BLUE RIVER
FINANCIAL GROUP

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About Blue River

Founded in 2002, Blue River Financial Group is a middle market merger and acquisition advisory firm headquartered in Bloomfield Hills, MI. It assists corporations, private equity groups and individuals in the sale and acquisition of businesses, and has completed assignments in multiple business segments. With over 20 years of experience spanning across 50 global industries, Blue River provides a suite of services to middle market clients including corporate development, private equity support, valuations and transaction consulting, placing a premium on relationship-centered transaction counsel and client focus.

Our Services

- → Buy Side M&A Advisory Services
- → Sell Side M&A Advisory Services
- → Corporate Valuation Services

M&A INSIGHT

By: **Kyle Rutz**
Director

M&A Activity
In The SaaS Space

The software sector has seen notable growth in recent years, with significant deals across verticals such as security, development operations, and analytics, highlighting substantial value addition in the industry. The second quarter of 2024 saw an impressive increase in M&A activity within the Software-as-a-Service (SaaS) vertical. The period was characterized by high-value acquisitions, aimed to enhance technological capabilities, expand product portfolios, and achieve market consolidation.

Globally, end-user spending on SaaS applications is projected to be $247 billion in 2024, predominantly driven by enterprises, and is estimated to more than triple by 2028, reaching $720.4 billion, according to Statista. This growth aligns with the sector's historical expansion, having increased sevenfold over the past decade as more companies embrace cloud-based services.

M&A deal volume in Q2 2024 has settled into a steady state that remains strong relative to historical standards, rising by 36% compared to Q2 2023 and by 7% compared to the previous quarter. The average deal size remains significantly higher than pre-2022 levels, up 50% compared to the Q1 average from 2019-2021. Private strategic deals remain prominent compared to public and financial transactions, as companies aim to strengthen their competitive edge through targeted acquisitions. This trend reflects a steady upward trajectory, indicating strong potential, increased consolidation among industry players, and a broader scope of activity.

M&A INSIGHT

By: **Kyle Rutz**
Director

Over the last three quarters, average multiples for SaaS M&A have stabilized, indicating that the M&A market has fully responded to a higher interest rate environment and caught up to the public SaaS market. M&A valuations, for the rest of 2024, are likely to be affected by the Fed's trajectory of cutting interest rates. However, in the interim, high-performing businesses continue to receive strong outcomes in the M&A markets.

Several key trends have emerged in the M&A landscape:

- **Surge in Security and Cloud Protection Segments:** As cybersecurity regulations and mandates strengthen, awareness of cyber threats rises, leading to a significant uptick in related M&A deals. Integrating AI with security platforms has further expanded the market and unveiled new opportunities, enhancing threat detection and response while driving innovation and growth in the industry. The acquisition of Noname Security by Akamai Technologies in June 2024 exemplifies this trend. This acquisition allows Akamai to provide a comprehensive API security suite, enhancing customers' ability to discover "shadow" APIs and detect vulnerabilities and attacks across all API traffic locations.

- **Expansion of Collaborative Tools**: The demand for collaborative tools continues to grow, driven by the shift towards remote and hybrid work environments. Acquisitions in this space aim to provide more integrated and user-friendly solutions that facilitate real-time collaboration and project management. A prime example is the acquisition of Sharethrough by Equative in June 2024. The merger aims to establish one of the largest ad marketplaces globally, empowering advertisers, media owners, and technology partners to optimize programmatic value and scale.

- **Consolidation in Cloud Services and DevOps:** The acquisition of DevOps platforms and cloud service providers signals a growing trend toward consolidation in these sectors. Companies aim to deliver comprehensive solutions to integrate software development, deployment, and infrastructure management. For example, Shift4 Payments' acquisition of Revel Systems in June 2024 underscores this trend. It enables Shift4 to offer payment services to Revel's customers, leveraging cloud-based point-of-sale (POS) systems to optimize business operations.

The software sector's robust growth, driven by significant M&A activity in the SaaS vertical, underscores a critical phase of industry consolidation and innovation. With global end-user spending on SaaS applications expected to triple by 2028, the trend reflects a strong focus on enhancing technological capabilities, expanding product portfolios, and improving operational efficiencies. Key areas such as AI integration, cybersecurity, and cloud services are at the forefront of this transformation. As companies continue to pursue strategic acquisitions, the industry is poised for further evolution, promising enhanced competitive advantage and sustained growth.

In conclusion, the SaaS M&A landscape will remain dynamic through the rest of 2024. Companies will likely continue pursuing strategic acquisitions to bolster technological capabilities, broaden market reach, and enhance operational efficiencies. Key focus areas include advancements in AI and ML, cybersecurity improvements, ERP and supply chain solutions, and innovation in industry-specific SaaS solutions. As the SaaS sector evolves, M&A activity will remain a crucial driver of industry transformation, spurring innovation and competitive advantage.

Kyle Rutz leads Blue River's Software Competency, leveraging his extensive expertise in the Technology and Software space. At Blue River, Kyle has played pivotal roles, including project leadership and M&A advisory, contributing to the expansion of the firm's buyside practice through numerous acquisition strategies. Before joining Blue River, he supported several SaaS-focused, private equity, and venture capital-backed portfolio companies. Kyle holds a B.A. in Humanities and Pre-law from Michigan State University, alongside an MBA from Northwood University's DeVos Graduate School in Midland, MI.

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Q2 2024 Software Market Performance

Software market acquisitions in Q2 2024 show an upward trend compared to the same quarter over the past five years. The number of transactions for the year indicates overall healthy activity. Projections for 2024 suggest this positive trend will continue. These fluctuations in transaction volumes underscore the dynamic nature of the SaaS sector, shaped by strategic acquisitions and evolving market trends.
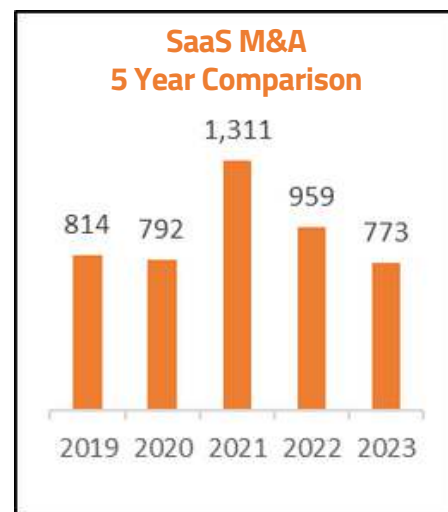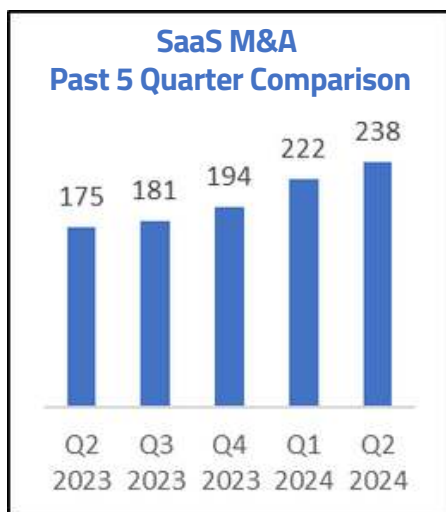
The following chart shows a 6-year comparison of average multiples for sectors associated with the Software industry. This view presents both public and private multiples for reference. The private sector numbers are calculated based on quarterly M&A transactions for past 6 years for Software companies.

*Data Sources: Proprietary Databases*

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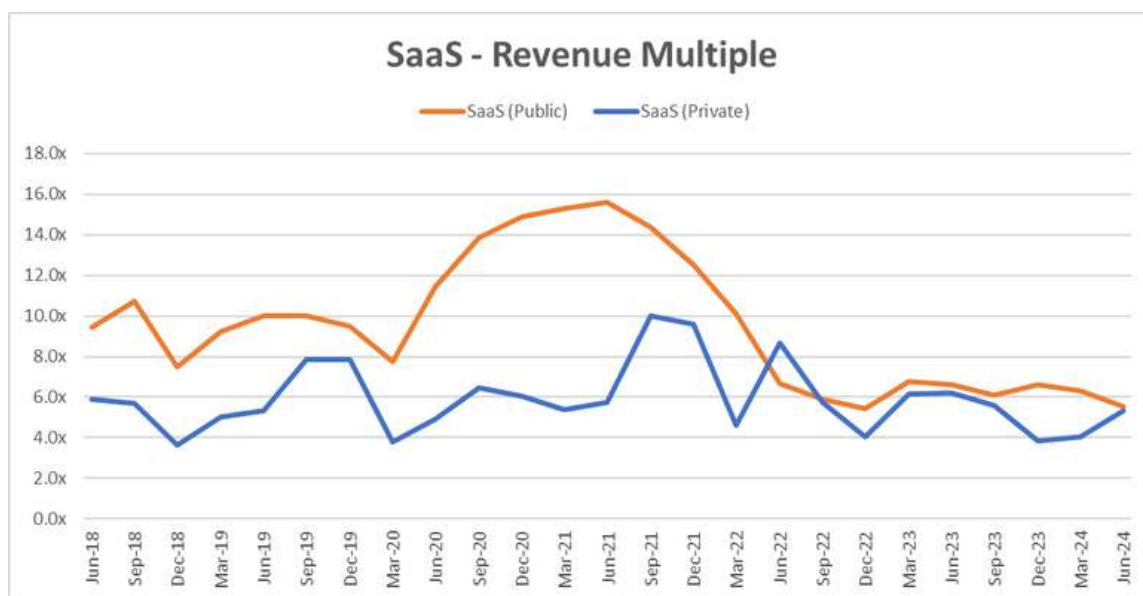
Public Financial Data

The following list shows the performance of the Software industry across 10 industry sub-segments, used to calculate our public IA valuation index.

Public Company	LTM Performance	Q2 Performance	EV / Revenue 2024E	EV / EBITDA 2024E	P/E 2024E
Analytics & Data Management	2.58%	-2.78%	4.5x	27.2x	41.4x
Communications & Collaboration	-8.85%	-6.59%	3.2x	8.6x	14.9x
Dev Ops & IT Management	17.94%	-4.03%	8.1x	44.7x	58.2x
ERP & Supply Chain	16.58%	7.15%	7.6x	27.9x	42.5x
Financial Applications	2.21%	-6.99%	5.6x	26.8x	42.5x
Human Capital Management	-17.23%	-20.12%	4.4x	12.8x	27.8x
Sales & Marketing	15.18%	-3.71%	4.5x	25.3x	34.4x
Security	58.86%	12.70%	7.5x	35.8x	39.1x
Vertically Focused	6.91%	-5.02%	4.1x	18.2x	28.6x
Other SaaS	16.40%	-9.20%	5.1x	23.2x	30.5x
AVERAGE:	11.06%	-3.86%	5.5x	25.1x	36.0x
MEDIAN:	11.05%	-4.53%	4.8x	26.1x	36.8x

Rule of 40

This section presents revenue multiples for public companies with different Rule of 40 performance. (Rule of 40 is defined as revenue growth percentage + EBITDA margin).
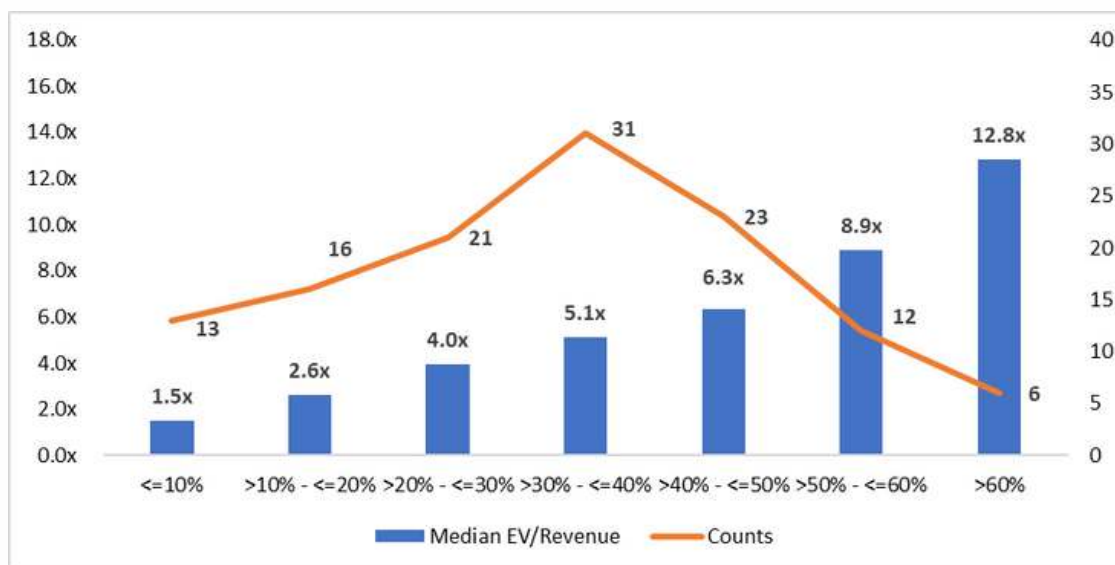
Source: S&P Capital IQ

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Q2 2024
M&A Performance
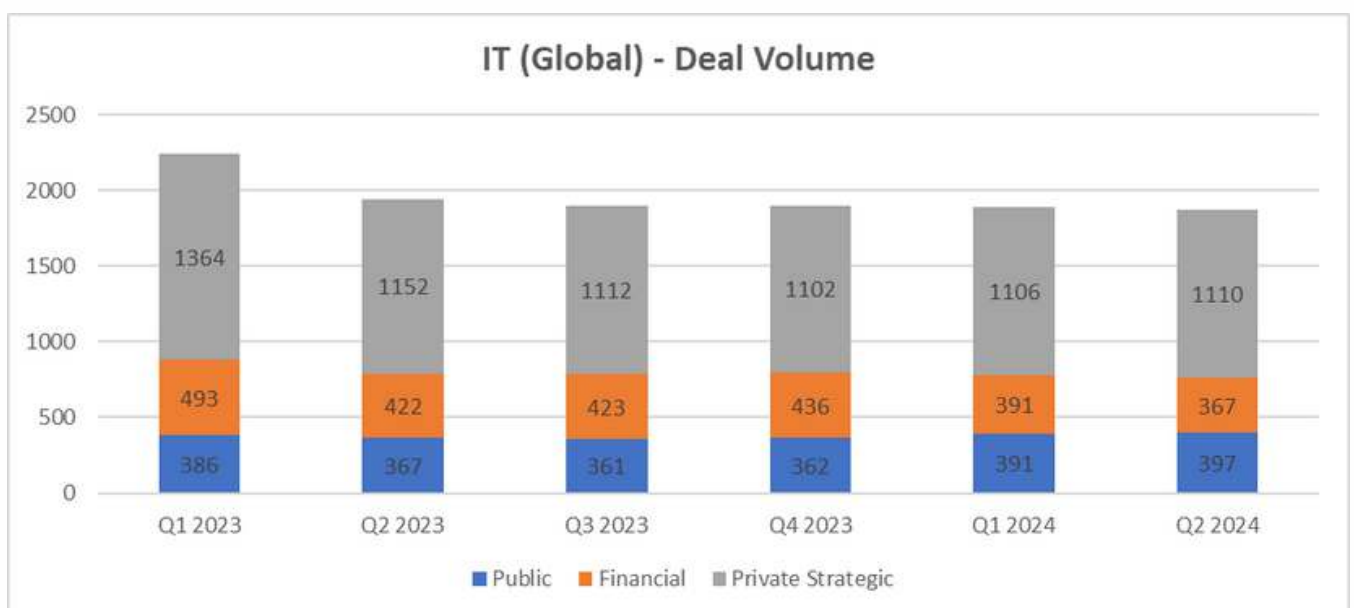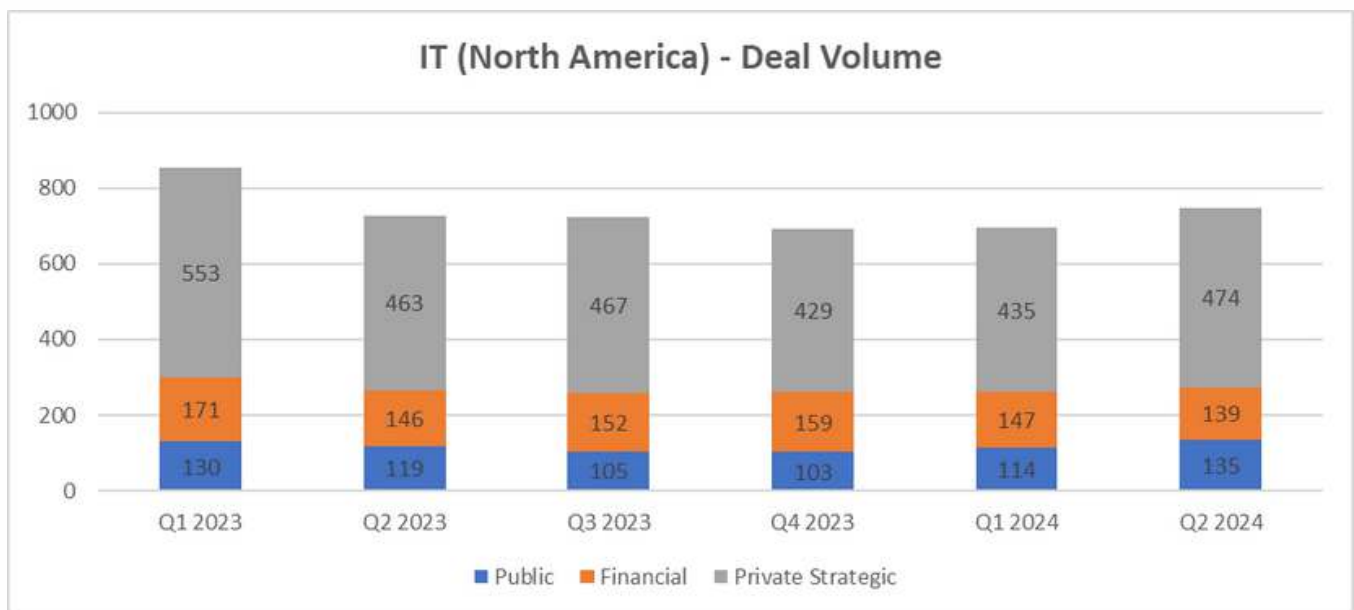
Global Software M&A activity in Q2 2024 was at par in comparison to the previous two quarters and displayed a similar trend when compared to Q2 2023. Deal volume in North America picked up in Q2 2024 with an uptick in the number of transactions from the last two quarters.

SaaS (North America) - Deal Volume

SaaS (Global) - Deal Volume

Data Sources: Proprietary Databases

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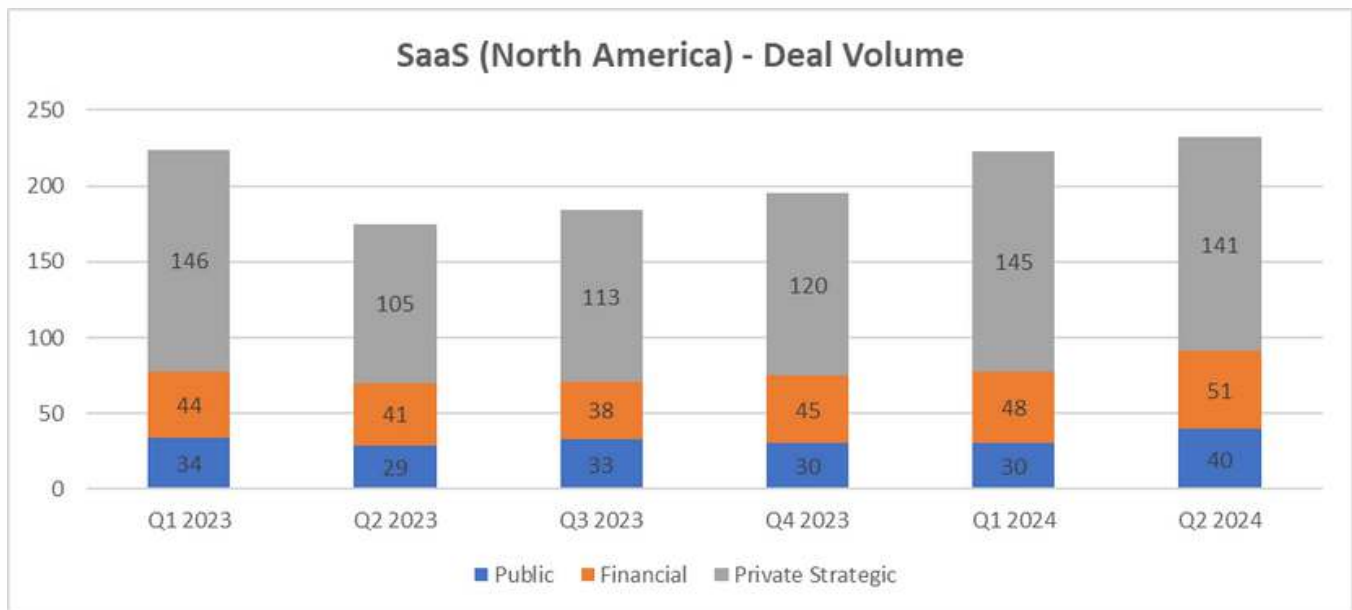
Q2 2024
M&A Performance

Global Technology M&A activity in Q2 2024 was stable and in line with the previous quarters. Deal volume in North America increased by 7% in Q2 2024 and shows an upward trend and recovery from a downward trajectory since Q4 2022.

IT (North America) - Deal Volume

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Private Strategic	553	463	467	429	435	474
Financial	171	146	152	159	147	139
Public	130	119	105	103	114	135

Public · Financial · Private Strategic

IT (Global) - Deal Volume

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
Private Strategic	1364	1152	1112	1102	1106	1110
Financial	493	422	423	436	391	367
Public	386	367	361	362	391	397

Public · Financial · Private Strategic

Data Sources: Proprietary Databases

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Notable Public Software Transactions

Notable public transactions in the software industry for Q2 2024 are listed below, including the investment rationale.

Rationale: Cisco has acquired Isovalent. This acquisition allows Cisco to define the future of multicloud networking and security and build edge protection for every workload on every cloud. Isovalent is a developer of an open-source cloud-native platform for connecting, monitoring, and securing mission-critical workloads.

CISCO
has acquired
ISOVALENT

➤ **Date:** April 2024
➤ **EV:** $650 Million
➤ **Subsector:** Security

Rationale: CoStar Group has acquired Matterport. This acquisition is expected to increase the development and deployment of advanced AI and digital twin technology across all of CoStar product lines. Matterport is a developer of a 3D data platform focused on digitizing and indexing the built world.

CoStar Group
has acquired
Matterport

➤ **Date:** April 2024
➤ **EV:** $1,771 Million
➤ **Multiples:** EV/Revenue: 11.1x
➤ **Subsector:** Other SaaS

Rationale: International Business Machines (IBM) has acquired HashiCorp. This acquisition creates a comprehensive hybrid cloud platform for AI-driven complexity and is expected to drive significant synergies for IBM. HashiCorp provides standardized workflows and automation for cloud infrastructure, security, networking, and application deployment.

IBM
has acquired
HashiCorp

➤ **Date:** April 2024
➤ **EV:** $5,121 Million
➤ **Multiples:** EV/Revenue: 8.8x
➤ **Subsector:** Dev Ops & IT Management

Rationale: Freshworks has acquired Device42. This acquisition reinforces Freshworks position in the ITSM market and shows commitment to deliver value to IT teams worldwide. Freshworks is a developer of a platform for discovering, mapping, and optimizing infrastructure and applications across data centers and the cloud.

freshworks
has acquired
DEVICE42

➤ **Date:** May 2024
➤ **EV:** $230 Million
➤ **Subsector:** Dev Ops & IT Management

Rationale: DocuSign has acquired Lexion. This acquisition highlights DocuSign's commitment to Intelligent Agreement Management by transforming agreement data into insights, accelerating contract reviews, and boosting productivity for faster revenue growth. Lexion develops contract management system that reads, interprets, and provides insights on contracts.

DocuSign
has acquired
lexion

➤ **Date:** May 2024
➤ **EV:** $165 Million
➤ **Subsector:** Other SaaS

Rationale: Corpay announced to acquire Paymerang. The acquisition enables Corpay to bolster its growth and profitability within the corporate payments space. Paymerang is a developer of a cloud-based electronic payments platform designed for business-to-business transactions.

Corpay^
has acquired
paymerang

➤ **Date:** May 2024
➤ **EV:** $475 Million
➤ **Subsector:** Financial Applications

Notable Public Software Transactions

Rationale: KKR has acquired MDF Commerce. This acquisition accelerates MDF's expansion and scales its platform as it goes private with KKR. MDF Commerce offers SaaS solutions that optimize commercial interactions between buyers and sellers.

KKR has acquired mdf commerce

➤ **Date:** May 2024
➤ **EV:** $183 Million
➤ **Multiples:** EV/Revenue: 2.0x
➤ **Subsector:** ERP & Supply Chain

Rationale: Yext has acquired Hearsay Systems. This acquisition merges Yext's digital presence platform with Hearsay's compliant engagement solutions for social media, websites, text, and voice. Hearsay develops a client engagement platform that helps financial advisors grow business relationships.

Yext has acquired hearsay

➤ **Date:** June 2024
➤ **EV:** $220 Million
➤ **Subsector:** Financial Applications

Rationale: Shift4 Payments has acquired Revel Systems. This acquisition allow Shift4 to cross-sell payment services to Revel's customers. Revel Systems is a developer of cloud-based point of sales (POS) systems intended to enhance business operations.

Shift4 PAYMENTS has acquired Revel SYSTEMS

➤ **Date:** June 2024
➤ **EV:** $250 Million
➤ **Subsector:** Dev Ops & IT Management

Rationale: Akamai Technologies has acquired Noname Security. This acquisition allows Akamai to offer improved discovery of "shadow" APIs as well as detection of API vulnerabilities and attacks.. Noname is a developer of an agentless security platform designed to help enterprises see and secure their managed and unmanaged APIs.

Akamai has acquired noname

➤ **Date:** June 2024
➤ **EV:** $450 Million
➤ **Multiples:** EV/Revenue: 12.9x
➤ **Subsector:** Security

Notable Private Software Transactions

Notable private transactions in the software industry for Q2 2024 are listed below, including the investment rationale.

Rationale: Beedie Capital has acquired Think Research. This acquisition supports Think Research's growth, enabling global digital solutions for clinicians and removing the burden of being a reporting issuer. Think Research digitalizes knowledge to improve healthcare outcomes.

Beedie CAPITAL

has acquired

think research

➤ **Date:** April 2024
➤ **EV:** $85 Million
➤ **Subsector:** Vertically Focused

Rationale: Rodina Capital has acquired Rubicon (Fleet Technology Business). This acquisition transforms Rubicon by reducing debt, improving liquidity, and accelerating its path to profitability and long-term growth. Rubicon is a provider of software services, powers essential heavy-duty fleet operations.

RODINA

has acquired

RUBICON

➤ **Date:** May 2024
➤ **EV:** $94 Million
➤ **Subsector:** Other SaaS

Rationale: Code Koalas has acquired Viagio Technologies. This acquisition is a strategic merger that enhances Code Koalas' ability to serve mid-market companies, while continuing to help the Enterprise and SMB clients that the company has historically served. Viagio Technologies offers technology and digital solutions.

CODEKOALAS

has acquired

VIAGIO
TECHNOLOGIES

➤ **Date:** May 2024
➤ **EV:** Not Disclosed
➤ **Subsector:** Dev Ops & IT Management

Rationale: Cadent has acquired AdTheorent. This acquisition created a new ID-independent omnichannel audience activation and performance platform for advertisers. AdTheorent provides AI-based ERP and inventory management solutions.

CADENT

has acquired

ADTHEORENT

➤ **Date:** June 2024
➤ **EV:** $331 Million
➤ **Subsector:** Communications & Collab.

Rationale: Equativ has acquired Sharethrough. This acquisition allows both the companies to merge and form one of the largest global independent Ad platforms and marketplaces. Sharethrough develops native advertising software for real-time buying, selling, and managing of in-feed ad.

EQUATIV

has acquired

sharethrough

➤ **Date:** June 2024
➤ **EV:** $82 Million
➤ **Subsector:** Communications & Collab.

Rationale: Pixid has acquired VectorVMS. This acquisition positions Pixid as a global leader in the VMS market, dedicated to delivering innovative solutions for extended workforce management. VectorVMS develops vendor management system designed to manage business workflows.

pixid X

has acquired

VectorVMS

➤ **Date:** June 2024
➤ **EV:** $50 Million
➤ **Subsector:** Human Capital Mgmt.

Listing of Software Transactions

The section includes several highlighted transactions for Q2 2024 in the Software industry.

Closed Date	Target Name	Acquirer	Target Description	EV ($m)	EV/ Revenue	EV/ EBITDA
6/18/2024	Sustain.Life	Workiva	Developer of software providing companies with tools and guidance for sustainable operations	$100.0	-	-
6/12/2024	KYKLO	Epicor Software Corporation	Developer of cloud-based sales management software for electrical, mechanical, and automation markets	-	-	-
5/31/2024	DocuSmart	DocuSign	Develops smart contract management system that automatically finds the needed information	$165.0	-	-
5/21/2024	Drone Delivery Canada	Volatus Aerospace	Developer of a drone technology company	$50.3	88.5x	-
5/10/2024	Sports IQ Analytics	DraftKings	Provides AI-driven software solutions for the online sports gambling industry	-	-	-
5/9/2024	Traverse Systems	SPS Commerce	Developer of software that aggregates data from various supply chain systems	$29.3	-	-
5/8/2024	Flashtract	Trimble	Develops and delivers construction billing software	-	-	-
5/8/2024	Enterprise IT Solutions	Mainline Information Systems	Provides cyber security solutions and services	-	-	-
5/7/2024	People Tech Group	QuEST Global Services	Enterprise solutions company specializing in digital transformation and data intelligence	-	-	-
5/2/2024	Retail Data Partners	ChannelEngine.com	Develops SaaS solution for Amazon Vendors with insights, dispute automation, catalog management, and predictive forecasting	-	-	-
5/1/2024	Limbus AI	Radformation	Designs and develops an automated contouring software to improve cancer care through radiation therapy	-	-	-
4/25/2024	Team Labs	Paystand	Develops and operates a distributed spend management platform	-	-	-

Data Sources: Proprietary Databases

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Listing of Software Transactions

Closed Date	Target Name	Acquirer	Target Description	EV ($m)	EV/ Revenue	EV/ EBITDA
4/16/2024	Definitive Results	Bluprintx Holdings	Offers marketing automation consulting services	-	-	-
4/11/2024	E Tech Group	Graham Partners	Provides information technology automation and control solutions	-	-	-
4/10/2024	Kovair Software	Surge Ventures	Develops integrated application lifecycle management solutions for customers in the U.S & internationally	-	-	-
4/3/2024	Wesuite	Aspire Software	Designs and develops sales automation management software	-	-	-
4/2/2024	AvanSaber	InvenSync	Designs and develops AI-based enterprise resource planning (ERP) and inventory management solution	-	-	-
4/2/2024	Western Services Corporation	Curtiss-Wright	Designer of engineering simulation software for the power industry, offers technology and service	$34.0	2.3x	-
4/1/2024	Longbow Security	Veracode	Develops SaaS automation platform designed to automate cloud security operations	-	-	-

Data Sources: Proprietary Databases

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About Blue River

Founded in 2002, Blue River has built its practice around delivering experienced, systematic transactional guidance. Our deep involvement in the private capital marketplace enables us to bring ideal outcomes to owners transitioning out of ownership. We provide a suite of services including corporate development, private equity support, confidential sell-side representation, valuations and transaction consulting. Blue River places a premium on relationship-centered transaction counsel and client support.

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