



# SOFTWARE Q3 MARKET UPDATE

July to September 2025

**BLUE RIVER**  
FINANCIAL GROUP

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# Firm Overview



Founded in 2002, Blue River Financial Group is a middle market merger and acquisition advisory firm. We assist corporations, private equity groups and individuals in the sale and acquisition of businesses, and have 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**



**SELL-SIDE  
M&A ADVISORY**



**CORPORATE  
VALUATIONS**

# INDUSTRY INSIGHT



By: Kyle Rutz  
Director & Software  
Industry Leader

## M&A Activity In The SaaS Space

Mergers and acquisitions activity in the software sector has remained strong over recent years, and deal activity in Q3 2025 showed continued solid performance in the market. The number of deals for software-as-a-service (SaaS) companies was roughly flat sequentially at 317 and up modestly year-over-year, even as the broader M&A market cooled off.

We expect SaaS M&A to remain strong into 2026, driven by consistent demand across key verticals such as AI, cybersecurity, financial applications, DevOps, data management, and analytics. The market's resilience is indicated by enduring fundamental drivers, including consistent demand for software solutions - particularly SaaS offerings - from key sectors such as healthcare, sales and marketing, industrial operations, and communication services, and the broader groundswell of investment into cutting edge generative and agentic AI companies.

Widening the aperture beyond just M&A, the investment environment from private equity and venture capital (including minority investments) into SaaS companies softened in lockstep with the broader M&A market in Q3 2025. The number of PE and VC investments in SaaS companies slipped to 1,040 in Q3 2025 vs. 1,196 in Q2 2025 and 1,326 in Q3 2024. Still, the implied median valuation of these investments jumped, underscoring a shift to slightly fewer but larger deals in the quarter.

Once again, large acquisitions – including those backed by private equity – dominated the deal list. In the quarter, Dayforce agreed to go private in a \$12.4 billion leveraged buyout by Thoma Bravo and the Abu Dhabi Investment Authority, the largest deal in the quarter. Other large deals included Dun & Bradstreet going private for \$7.7 billion in a deal led by Clearlake Capital, Enervus getting acquired by Blackstone for \$6.5 billion and Regrello getting acquired by Salesforce for \$2.1 billion.

The trend of strong deal activity has continued in Q3, including Melio's \$2.5 billion acquisition by Xero, Securiti's \$1.7 billion buyout by Alkeon Capital and GTreasury's \$1 billion purchase by Ripple.

# M&A INSIGHT

By: Kyle Rutz  
Director & Software  
Industry Leader

Pitchbook estimates there are over 300 private, investor-backed SaaS companies in North America that have an 80% or greater chance of a successful exit via an IPO (based on Pitchbook's VC Exit Predictor). This includes AI companies like OpenAI, Anthropic and Scale AI, as well as fintech companies such as Stripe and Ramp. The exit environment for investor-backed SaaS companies has continued to improve and through October 24, 2025 has already outpaced all of 2024. This suggests a continued strong trend of exits ahead, freeing up investor capital to be reinvested into new opportunities and driving more industry M&A.

Fundamentally, the software sector is expected to sustain solid growth, fueling acquisition demand to expand product offerings, acquire talent and consolidate fragmented sub-segments. In the US, the Software Publishing market is projected to grow from \$541.3 billion in 2025 to \$618.8 billion by 2029, at a CAGR of 2.7%, according to IBIS World, reflecting the significant growth opportunities for SaaS companies. This steady growth underscores the ongoing expansion and promising opportunities within the SaaS sector.

Some other trends we will be monitoring in the coming quarters to catalyze M&A activity include:

- **AI & Automation Remain Center Stage:** AI is now core to all SaaS platforms, boosting productivity and helping to automate decisions. We expect industries such as finance and healthcare to rapidly adopt generative and agentic AI to drive efficiencies across their operations.
- **Continued Evolution of Business Models:** Although the transition from legacy, license-based commercial models to subscription and SaaS-based ones has largely played out, we still expect to see business model evolution across software companies to include modular, usage-based and user-centric pricing. Getting acquired or a new round of financing can help catalyze these shifts.
- **Vertical SaaS Proliferation:** We continue to see a host of SaaS startups thriving by curating their solutions to unique industry capabilities and demands, especially in highly-regulated such as finance and healthcare.
- **Data Security & Compliance:** While cybersecurity remains front and center broadly in the software industry, we see evolving regulations across geographies driving SaaS vendors to adopt zero-trust architecture and automated compliance tools to meet stricter standards.

# M&A INSIGHT

By: **Kyle Rutz**  
Director & Software  
Industry Leader

Still, the SaaS sector is not immune to macro uncertainties such as the global trade war and the slowing domestic growth outlook. The Fed has started to cut interest rates though the net effect this has on deal activity is yet to be determined as a potential softening in the economy could temper any rate cut enthusiasm. Although middle market firms may be more insulated from international markets as they are likely to derive a greater share of revenue domestically than larger multinationals, they may not be immune to the knock-on economic effects of a global trade war and domestic federal spending cuts. These dislocations may create opportunities for well-capitalized buyers to extend the strong streak of M&A, giving them the opportunity to acquire quality businesses at slightly lower valuations.

We remain encouraged by the improving trends so far in Q3, what appears to be an opening up of the IPO market for exits and near-record dry powder held by private equity firms and continued fundamental strength. We expect to see more deals focused on AI and data analytics, especially for vertical applications of these technologies, while a continued focus on cybersecurity also remains an active M&A trend.



**Kyle Rutz**, Director &  
Software Industry Leader

**Kyle Rutz** brings significant experience in the Technology & Software space. Kyle received his B.A., Humanities Pre-law from Michigan State University and his MBA from Northwood University, DeVos Graduate School.

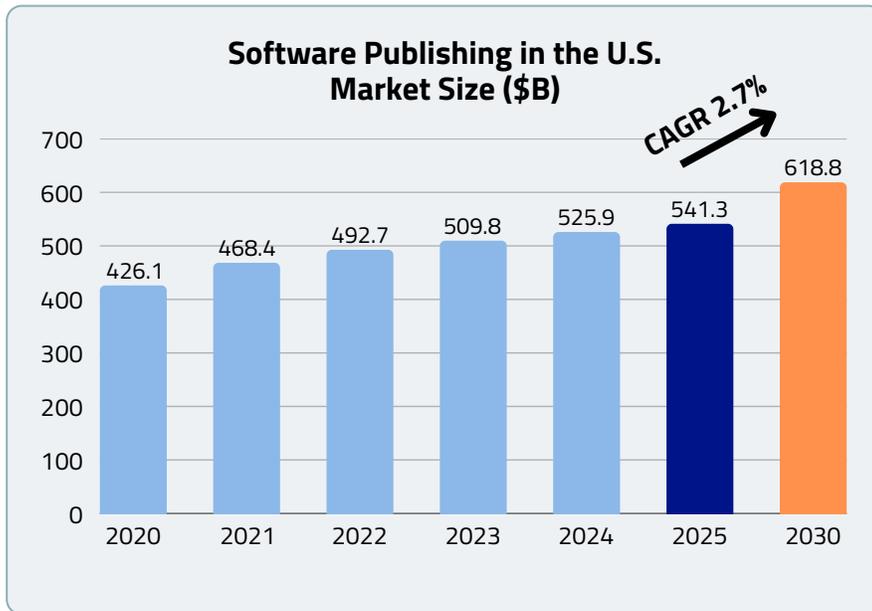
 (248) 568 -1818  
 [krutz@goblueriver.com](mailto:krutz@goblueriver.com)

# MARKET OVERVIEW



# Trends in Software M&A

## Software Market Size Outlook



### Our Take:

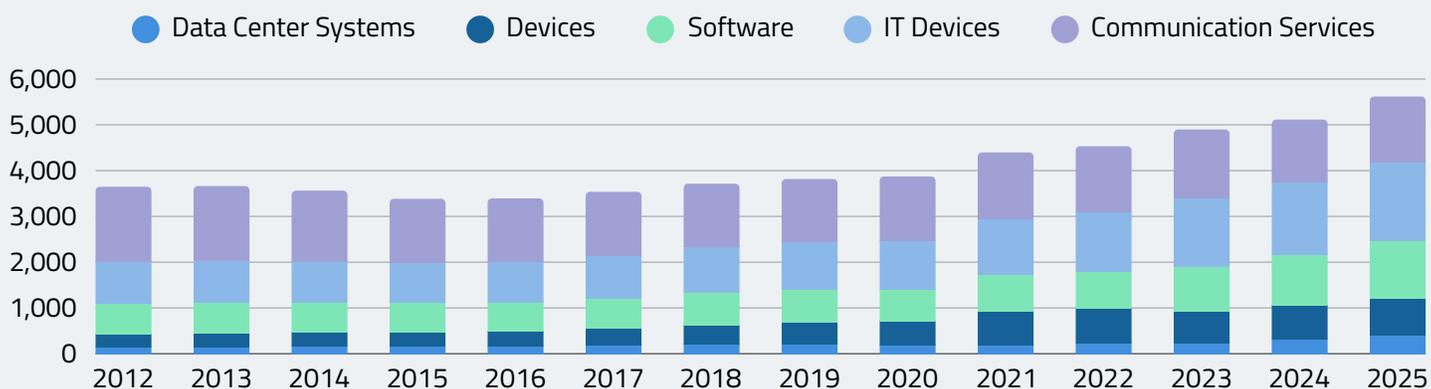
- The U.S. Software market is expected to keep growing at a stable clip, fueled by consistent demand for digitization and price increases for sub subscription offerings.
- Although the longer-term market CAGR appears a bit muted, it's dragged down by legacy business segments that mask higher growth in areas such as artificial intelligence, data analytics and machine learning.



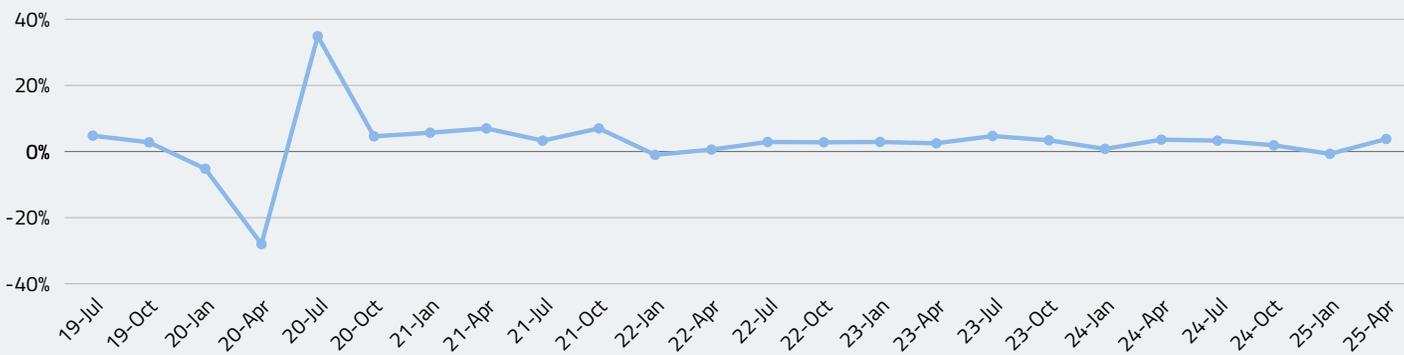
# Trends in Software M&A

## Software Macro Drivers

### Global IT Spending by Segment



### Real GDP Growth



### Our Take:

- The Global IT spending backdrop remains healthy and signals strong demand from corporations to keep investing in advanced technologies despite continued geopolitical concerns.
- Although the Fed has begun cutting interest rates as expected, the macro backdrop remains uncertain as the impact of the government shutdown, global trade tensions and geopolitics creates a difficult economic environment. The impact from and future path of interest rate cuts remains similarly cloudy.
- A softening macro growth outlook is a net negative for the demand environment for software, as some customers may defer investments until the outlook improves.

# Key Trends



## AI & Automation Take Center Stage

AI is now core to SaaS platforms, boosting productivity and automating decisions. Generative and agentic AI are standard in support, finance, and analytics, with co-pilot tools becoming essential across industries.

## Flexible Subscription Models

Pricing in the industry is increasingly becoming more flexible, with SaaS vendors adopting usage-based and user-centric models to complement traditional subscription offerings.

## Rise of Vertical SaaS & AI

We expect more niche, industry-focused SaaS and AI companies to continue to proliferate behind the larger, industry-agnostic peers, especially in sensitive industries such as finance and legal.

## Cloud Optimization & Cost Efficiency

Cloud platforms are a major part of SaaS infrastructure, prompting businesses to focus on optimizing usage and reducing costs. There's a trend toward consolidating SaaS applications to streamline operations

## Customer Metrics & Retention Strategies

Retention is a top priority, with companies tracking CAC, LTV, and churn—especially hidden churn—while focusing on deeper user engagement.

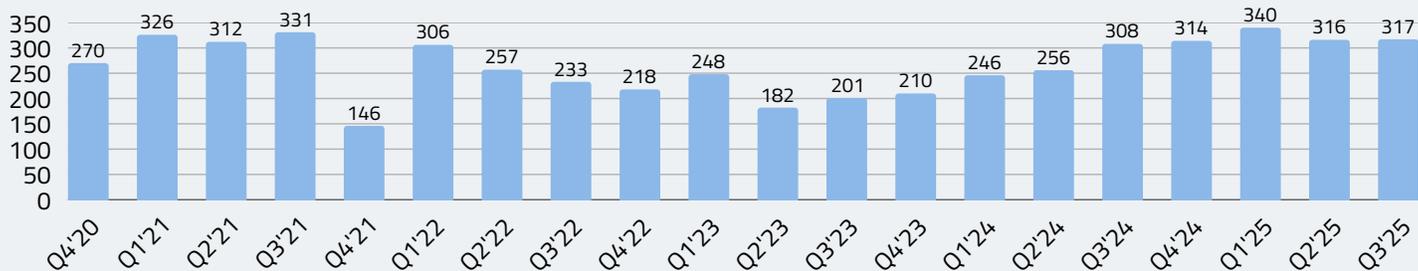
## Data Security & Compliance

With evolving global regulations, data privacy is critical. SaaS vendors are adopting zero-trust architectures and automated compliance tools to meet stricter standards.

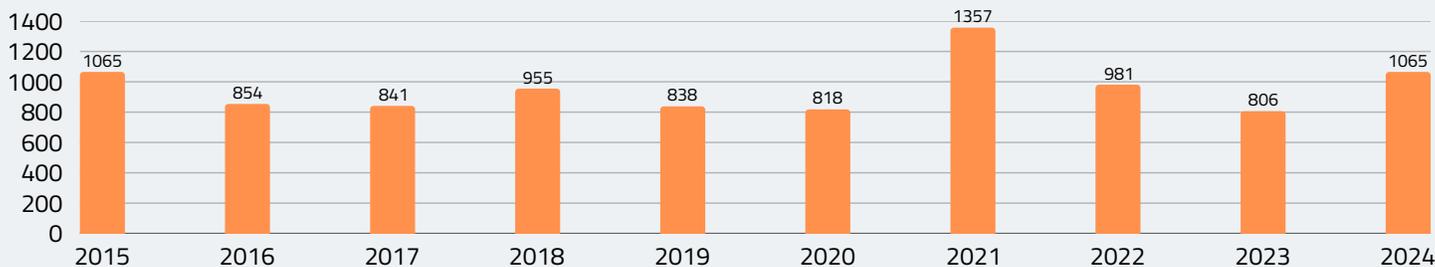
# Trends in Software M&A

## Industry M&A Trends

### SaaS M&A Past 20 Quarter Comparison



### SaaS M&A 10 Year Comparison



## Our Take:

- The number of SaaS mergers and acquisitions remained consistent in Q3 2025, notching 317 deals vs. 316 in Q2 2025 and 308 deals in Q3 2024.
- Although deal flow is below the high watermark set in Q1 2025, the market has stabilized at higher levels following a bottoming out in late 2021 and 2022.
- There remains significant dry powder on the sidelines with PE and VC firms that is earmarked for SaaS investments, which supports the outlook for M&A activity.

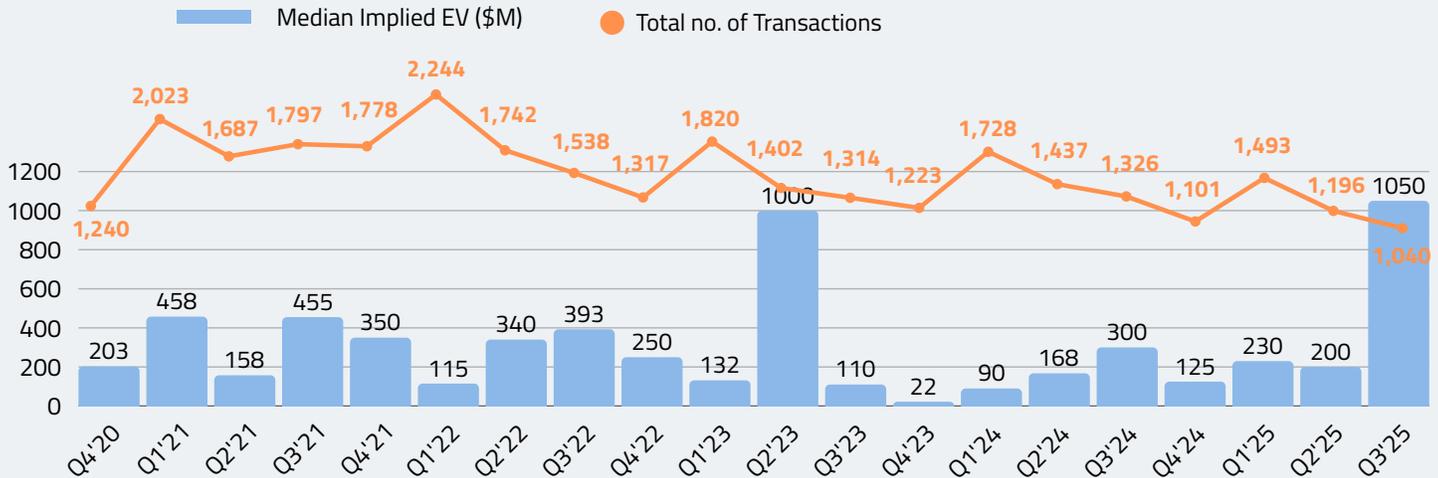
# MARKET PERFORMANCE



# Software Market Performance

## PE and VC SaaS Trends

### SaaS PE/VC M&A Past 20 Quarter Comparison

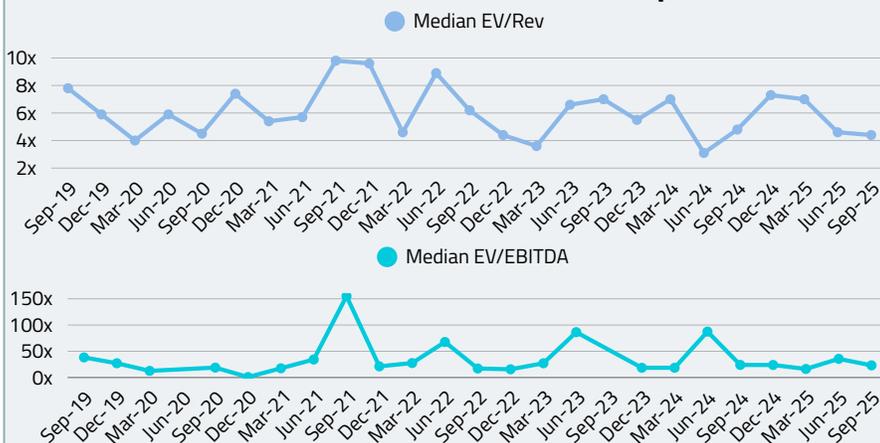


### Our Take:

- The total volume of SaaS deals, including minority investments, supported by financial sponsors has continued to trend downwards since the high watermark set in 2021-22. However, the deal counts have seemed to stabilize and capital invested remains strong.
- We continue to see a focus on quality over quantity in the sponsor investments, leading to fewer investments that tend to be larger and focused on more mature and more profitable businesses. We believe this is a trend that will continue and makes the market more sustainable.

## Middle Market M&A Comps Data

### SaaS Middle Market Multiples

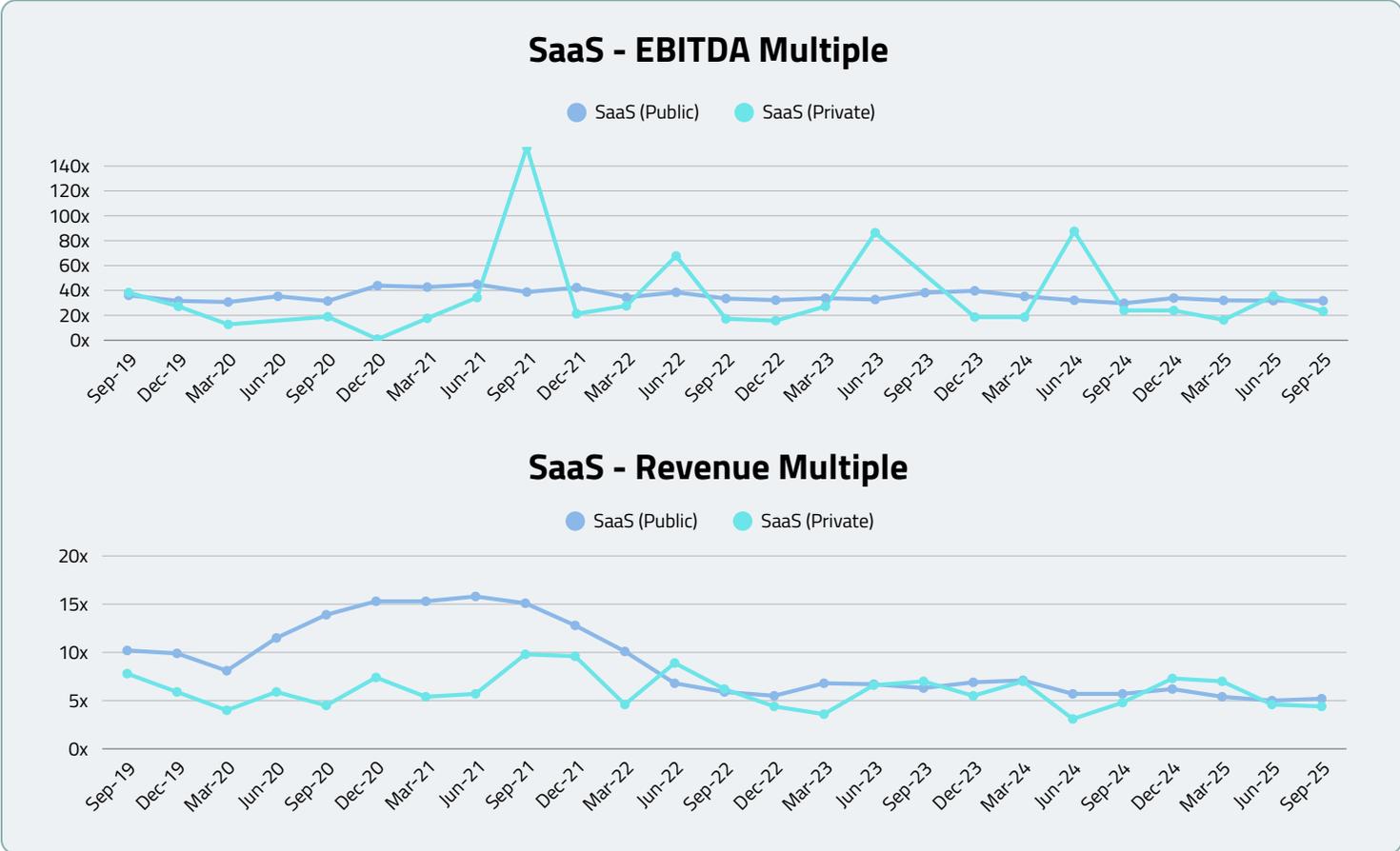


### Our Take:

- The median Ebitda multiple for middle market SaaS transactions slipped modestly sequentially in Q3 2025, though multiples have remained somewhat consistent for several quarters now.
- The median revenue multiple also fell sequentially. But similar to Ebitda multiples, it remains well within the range of the last few quarters.

# Software Market Performance

## Public vs. Private Comps

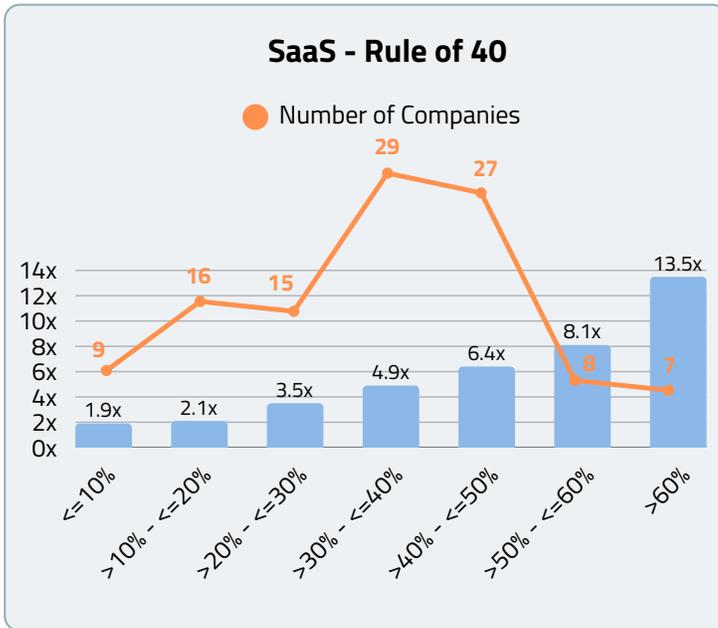


### Our Take:

- The median Ebitda multiple for private SaaS transactions slipped back below that of public comps in Q3 2025, though multiples remain fairly consistent between the two groups.
- We did see revenue multiples for public SaaS companies nudge higher in Q3 2025, reflecting broader AI optimism around some of these underlying companies and broader market trends.

# Software Market Performance

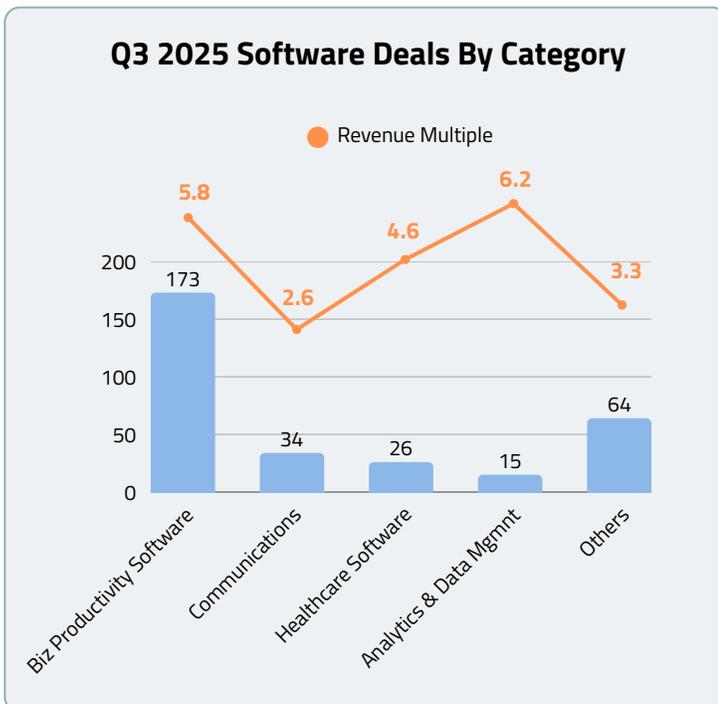
## Rule of 40 Analysis



### Our Take:

- The Rule of 40 is a SaaS investing rule that a SaaS company's growth rate plus its profit margin should exceed 40%. Companies growing faster can thus operate with lower margins as they invest in growth.
- In Q3 2025, in keeping with prior periods, it's clear that companies that meet or exceed the Rule of 40 trade at higher multiples to those below that key benchmark.
- Of the public SaaS companies we track, 42 (or 38%) of them met or exceeded the Rule of 40 at the end of the quarter, with those just above the threshold fetching a near 30% premium in the median valuation to those just below it.

## Software Deals & Multiples By Category

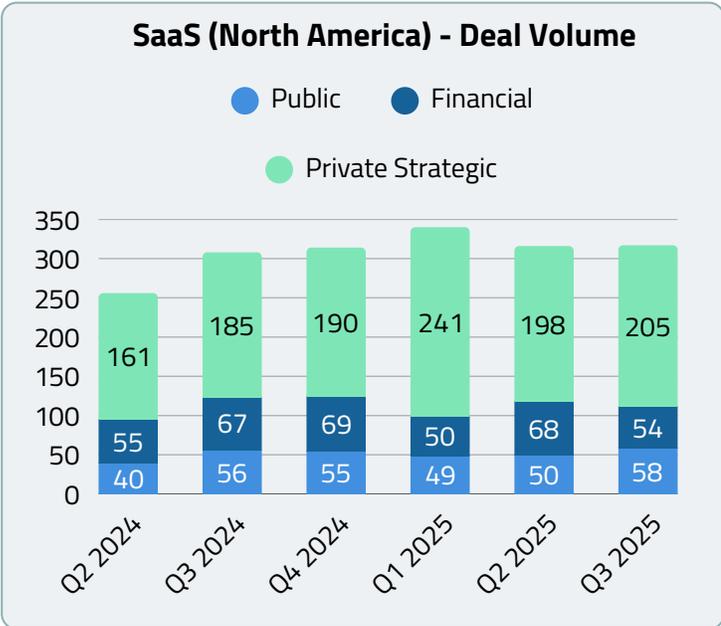


### Our Take:

- In Q3 2025, business productivity software deals accounted for the bulk of SaaS M&A, more than half the industry's deal count.
- Healthcare software, communications software and analytics and data management were among the next largest categories of deals.
- Analytics and data management deals saw the highest revenue multiples, though multiples remained solid across verticals.

# Software Market Performance

## SaaS North America M&A Trends By Buyer Type



**Our Take:**

- Private strategic buyers continued to account for the bulk of North American SaaS deals in Q3 2025, followed by public acquirers and financial sponsors.
- Private strategics and public acquirers increased their deal count sequentially while financial sponsor investments slowed a bit.

## SaaS Global M&A Trends By Buyer Type



**Our Take:**

- Globally, the picture looks similar, with private strategics leading deal activity once again.
- Similar to North America, private strategics and public acquirers increased their deal count sequentially in Q3 2025, while financial sponsor investments were a tad lower.



# PUBLIC COMPANIES

# Public Financial Data

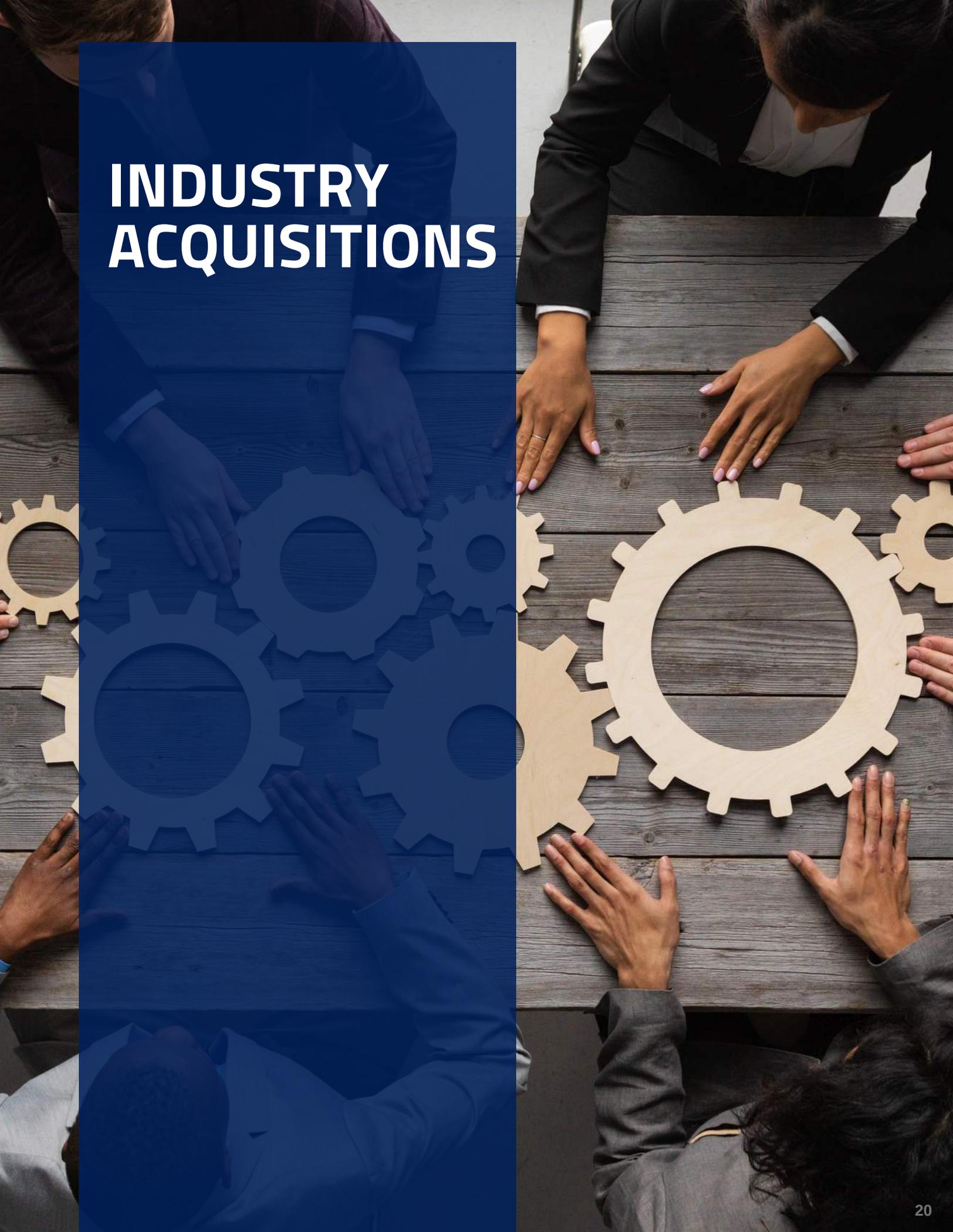
The following list shows the performance of the Software industry across 10 industry sub-segments, used to calculate our public IA valuation index.

Public Company	LTM Performance	Q3 Performance	EV / Revenue 2025E	EV / EBITDA 2025E	P/E 2025E
Analytics & Data Management	37.97%	-4.54%	5.8x	21.7x	28.2x
Communications & Collaboration	11.71%	-6.61%	3.0x	23.1x	28.2x
Dev Ops & IT Management	20.76%	-2.78%	9.4x	41.4x	55.9x
ERP & Supply Chain	58.30%	25.22%	8.1x	22.4x	33.4x
Financial Applications	-5.59%	-4.52%	6.0x	24.7x	34.3x
Human Capital Management	3.69%	-0.32%	5.1x	15.2x	27.6x
Sales & Marketing	-22.88%	-13.48%	3.6x	25.4x	31.7x
Security	40.98%	0.14%	8.7x	34.4x	42.6x
Vertically Focused	18.16%	1.06%	5.9x	31.6x	41.8x
Other SaaS	49.58%	17.75%	6.2x	30.1x	27.4x
<b>AVERAGE:</b>	<b>21.27%</b>	<b>1.19%</b>	<b>6.2x</b>	<b>27.0x</b>	<b>35.1x</b>
<b>MEDIAN:</b>	<b>19.46%</b>	<b>-1.55%</b>	<b>5.9x</b>	<b>25.0x</b>	<b>32.6x</b>



Source: S&P Capital IQ

# INDUSTRY ACQUISITIONS



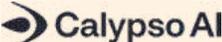
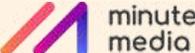
# Q3 2025 Industry Acquisitions

## Notable Public Software Transactions

Acquirer	Seller	Date	Subsector	EV (\$M)	Rationale
 ZETA	 CHEETAH DIGITAL	9/30/2025	Marketing	-	<b>Zeta Global Holdings</b> acquired <b>Cheetah Digital</b> . Zeta expands enterprise marketing software capabilities and strengthens customer engagement solutions through the acquisition of Cheetah Digital.
 SentinelOne	 observo.ai	9/22/2025	Dev Ops	-	<b>SentinelOne</b> acquired <b>Observo AI</b> . SentinelOne enhances its SIEM and AI-driven cybersecurity analytics offerings by acquiring Observo AI.
 Thomson Reuters™	 additiv	9/16/2025	Financial Software	-	<b>Thomson Reuters</b> acquired <b>Additive</b> . Thomson Reuters advances AI-powered tax document processing to boost efficiency for tax and accounting professionals through the acquisition of Additive.
 SAP	 SmartRecruiters	9/11/2025	Human Capital Services	-	<b>SAP</b> acquired <b>SmartRecruiters</b> . SAP accelerates talent acquisition innovation by acquiring SmartRecruiters, helping customers attract and hire top talent with greater speed, agility, and lower total cost of ownership.
 RingCentral	 CommunityWFM	9/8/2025	Human Capital Services	-	<b>RingCentral</b> acquired <b>CommunityWFM</b> . RingCentral strengthens its RingCX contact center platform by acquiring CommunityWFM, adding AI-driven workforce management to streamline operations and elevate agent experience.
 VARONIS	 SLASHNEXT	8/28/2025	Security Services	-	<b>Varonis Systems</b> acquired <b>SlashNext</b> . Varonis enhances its email security capabilities by acquiring SlashNext, leveraging AI-native threat detection to counter evolving cyber threats.

# Q3 2025 Industry Acquisitions

## Notable Private Software Transactions

Acquirer	Seller	Date	Subsector	EV (\$M)	Rationale
 ZETA	 MARIGOLD ENGAGE	9/30/2025	Marketing	\$325.0	<b>Zeta Global Holdings</b> acquired <b>Marigold Engage</b> . Zeta expands its enterprise marketing software portfolio and strengthens customer engagement capabilities through the acquisition of Marigold Engage.
 CROWDSTRIKE	 pangea	9/17/2025	Healthcare	\$260.0	<b>CrowdStrike Holdings</b> acquired <b>Pangea</b> . CrowdStrike enhances its cybersecurity platform by acquiring Pangea, adding advanced threat intelligence and endpoint protection capabilities.
 f5	 Calypso AI	9/10/2025	Cybersecurity	\$180.0	<b>F5</b> acquired <b>CalypsoAI</b> . F5 advances AI-driven security for cloud-native applications and strengthens DevSecOps capabilities through the acquisition of CalypsoAI.
 minute media	 VIDEOVERSE	9/8/2025	Multimedia and Design Software	\$283.0	<b>Minute Media</b> acquired <b>VideoVerse</b> . Minute Media diversifies its content portfolio and expands video monetization and distribution capabilities by acquiring VideoVerse.
 DIGI	 Jolt	8/18/2025	Operations Management	\$145.5	<b>Digi International</b> acquired <b>Jolt</b> . Digi strengthens its IoT and connected device management platform through the acquisition of Jolt, adding advanced business productivity tools.
 Verisk	 SURANCEBAY EXCEEDING ALL EXPECTATIONS	7/17/2025	Financial Services	\$162.5	<b>Verisk Analytics</b> acquired <b>SuranceBay</b> . Verisk enhances its digital insurance and risk management solutions by acquiring SuranceBay, leveraging AI-driven underwriting and analytics tools.

# Software M&A Transactions

Closed Date	Target Name	Acquirer	Target Description	EV (\$m)	EV/ Revenue
9/26/2025	Optiva	Chesterfield, L1 Technology, Qvantel	Offers telecom software for real-time billing, charging, policy management, and user experience to support customer growth and operational performance.	-	-
9/24/2025	SKED	Bilgola Capital, ChiroHD, Mainsail Partners	Builds a platform for automated communication, smart scheduling, and EHR integration to improve patient experience and digital appointment management.	-	-
9/23/2025	Kyruus	22C Capital, Frazier Healthcare Partners, New Enterprise Associates, RevSpring	Provides a platform for scheduling and search, aligning patient demand with available clinicians to improve healthcare access and experience.	\$995.3	-
9/18/2025	R2Decide	Kapstone Equity Group, Xgen AI	Creates intelligent search tools with personalized pages, SEO optimization, and smart guidance to boost e-commerce engagement and conversions.	\$1,367.4	-
9/12/2025	KLaunch	Ai Software	Delivers predictive, automated communication services that unify systems and streamline business interactions across global enterprises.	-	-
9/10/2025	Vimeo (NAS: VMEO)	Bending Spoons	Offers cloud-based video tools for creation, sharing, and collaboration via an all-in-one SaaS platform for individuals and businesses.	-	2.40x
9/9/2025	Olo	Thoma Bravo	Provides SaaS for restaurants enabling digital ordering, delivery, payments, and guest engagement across on-demand commerce operations.	-	4.35x
9/5/2025	Ignition GTM	Clue Labs	Manages launch planning, strategy, and collaboration with automated workflows to accelerate go-to-market execution for product and marketing teams.	\$6,500.0	-

Data Sources: Proprietary Databases

# Software M&A Transactions

Closed Date	Target Name	Acquirer	Target Description	EV (\$m)	EV/ Revenue
8/19/2025	Táve	Visual Supply Company	Provides customizable software for photographers, planners, and creatives to manage bookings, communications, and operations, helping streamline workflows and grow their businesses.	-	-
8/15/2025	DataTrails	Onid	Offers a SaaS solution to securely track physical and digital assets, replacing manual processes to reduce errors, cut costs, and improve operational resilience.	\$2,000.0	-
8/11/2025	Full Circle Technologies	Align Capital Partners, Schneider Geospatial	Delivers scalable automation tools including RPA, document processing, and analytics to help enterprises optimize workflows, reduce manual effort, and drive efficiency.	\$3,000.0	-
8/11/2025	Rolebot	Visage	Uses artificial identities to model ideal candidates, reduce hiring bias, and deliver diverse, pre-qualified talent pipelines aligned with top-performing employee profiles.	-	-
8/8/2025	Optoro	Blue Yonder	Enables retailers and manufacturers to manage returns and excess inventory using analytics and marketing tools to maximize recovery and minimize environmental impact.	-	-
8/6/2025	Enverus	Blackstone	Combines predictive analytics, cloud tools, and industry expertise to support smarter decisions across exploration and production, enhancing operational performance and agility.	-	-
8/5/2025	Cacher	Starr Holding Company	Provides a cloud-based solution for managing code snippets, teaching techniques, and sharing documentation across platforms with syntax highlighting and browser extensions.	-	-
8/5/2025	Oobeo	JustPark	Streamlines valet and self-parking with contactless payments, permit management, and ticketing tools to improve customer experience and operational efficiency.	-	-

Data Sources: Proprietary Databases

# Software M&A Transactions

Closed Date	Target Name	Acquirer	Target Description	EV (\$m)	EV/ Revenue
8/1/2025	TargetRecruit	Bullhorn, Genstar Capital, Insight Partners, Stone Point Capital	Developer of staffing software intended to create technological advancements in the staffing industry. The company's software platform modernizes the workforce management and recruiting cycle.	-	-
7/29/2025	Abode (Human Capital Services)	Five Elms Capital, Ten Thousand Coffees	Developer of a recruiting platform designed to streamline employee onboarding. The company's platform offers analytics and insights for early-career professionals by giving a complete picture of candidate engagement level, collecting hundreds of data points.	-	-
7/28/2025	Acumatica	Vista Equity Partners	Developer of cloud-based ERP software designed for growing midmarket companies across various industries. The company's platform provides a comprehensive suite of applications.	-	-
7/28/2025	Neogov	CPP Investments, EQT	Developer of workforce management software designed for the unique needs of public sector and higher education organizations. The company's SaaS-based platform automates the entire hiring, onboarding, and performance evaluation process.	-	-
7/23/2025	Origin (Media and Information Services)	AnyCreek	Developer of an online management and scheduling platform. The company's platform integrates real-time guide scheduling, automated assignment, customizable online booking	-	-
7/1/2025	Marin Software	Kaxxa Holdings	Provides cloud-based tools to manage digital ads across search, display, social, and mobile—boosting performance and saving time through automation.	-	-
7/1/2025	Swift Security (Network Management Software)	Concentric AI Software	Offers threat detection, IAM integration, SaaS security, and compliance tools to prevent data leaks and ensure enterprise protection.	-	-

Data Sources: Proprietary Databases

# Contact Us



**Kyle Rutz**

*Director & Software Industry Leader*

✉ [krutz@goblueriver.com](mailto:krutz@goblueriver.com)



**Rich Phillips**

*Managing Director & Software /  
Technology Segment Leader*

✉ [rphillips@goblueriver.com](mailto:rphillips@goblueriver.com)



**Matthew Kanterman**

*Director of Research*

✉ [mkanterman@goblueriver.com](mailto:mkanterman@goblueriver.com)



**Dana Bolgar Popov**

*Director, Marketing &  
Business Development*

✉ [dbolgarpopov@goblueriver.com](mailto:dbolgarpopov@goblueriver.com)