SOFTWARE
Q3 MARKET UPDATE

July to September 2024

BLUE RIVER
FINANCIAL GROUP

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Firm Overview

Contacts

Kyle Rutz, *Director & Software Industry Leader*
krutz@goblueriver.com

Rich Phillips, *Managing Director & Software & Technology Segment Leader*
rphillips@goblueriver.com

Matthew Kanterman, *Director of Research*
mkanterman@goblueriver.com

Dana Bolgar Popov, *Director, Marketing and Business Development*
dbolgarpopov@goblueriver.com

About Blue River

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

M&A INSIGHT

By: **Kyle Rutz**
Director

M&A Activity In The SaaS Space

Mergers and acquisitions activity in the software sector has remained active over the last several years, with significant deal activity across key verticals including security, DevOps, data management, and analytics. The activity remains underscored by strong fundamental drivers, including persistent demand for software – especially software-as-a-service (SaaS) -- products from customers in key verticals including healthcare, industrial operations, communication services, and logistics. In the third quarter of 2024, M&A activity in the Software-as-a-Service (SaaS) sector experienced a slight uptick from the previous quarter. AI and machine learning integration in healthcare accounted for a significant share of the total transactions during this period.

The quarter was marked by high-value acquisitions, led by public strategic acquirers, aiming to enhance technological and operational capabilities, expand product offerings, acquire talent, and pursue market consolidation. Globally, the SaaS vertical is projected to grow from $318 billion in 2024 to $908 billion by 2030, at a CAGR of 18.7%, according to Fortune Business Insights, reflecting the significant growth opportunities for SaaS companies. This growth aligns with the sector's historical expansion.

M&A deal volume in Q3 2024 continued to post improvement from previous quarters, increasing 39.2% compared to Q3 2023 and by 2% from the prior quarter. The average deal size remains significantly higher than pre-2022 levels. While strategic investors continued to account for most transactions, this quarter also saw a sequential dip in buyouts by private equity firms. This trend reflects strong potential, increased consolidation among industry players, and broader market momentum, even as financial buyers continue to show a higher degree of conservatism.

M&A INSIGHT

By: **Kyle Rutz**
Director

Despite the sector's strong growth, SaaS companies continue to grapple with uncertainties including the Fed's interest rate trajectory, challenges in scaling customer success operations to keep pace with rapid client onboarding, maintaining high satisfaction in a competitive market, and integrating emerging technologies like AI to deliver personalized customer experiences. Still, as M&A multiples for SaaS companies have stabilized, we continue to see strong outcomes for both buyers and sellers and a vibrant market with significant room for growth.

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

- **Surge in DevOps & IT Management**: The quarter highlights the importance of streamlining IT processes in a cloud-driven world with a surge in DevOps acquisitions. These platforms help enterprises optimize their operations, automate workflows, and manage cloud infrastructure. The acquisition of WrapStream by Confluent in September 2024 exemplifies this trend. This acquisition allows Confluent to use WarpStream's cloud-native solution to fill out its portfolio by offering a new service (Confluent WarpStream) that can sit in between its fully managed Confluent Cloud and self-managed Confluent Platform.

- **Vertical SaaS Solutions**: The increased demand for vertical SaaS platforms in healthcare, financial services, hospitality, and agricultural analytics reflects a strong interest in industry-specific solutions. These acquisitions highlight the trend of tailored tools designed to enhance sector-specific operations. A prime example is the acquisition of Book4Time by Agilysys in August 2024. The acquisition extends the overall global presence for Agilysys, consolidates market leadership in spa management software, and creates further subscription revenue growth opportunities. Another example is Healwell AI's acquisition of VeroSource Solutions in July 2024, to strengthen its expertise and allow seamless access and interaction with healthcare data through VeroSource's cloud-based platform.

By: **Kyle Rutz**
Director

- **Cybersecurity and Cloud Protection on the Rise**: Continuing a trend from previous quarters, Q3 2024 saw strong demand for cybersecurity and data protection solutions aimed at safeguarding against cyber threats, securing cloud environments, and managing data privacy. The acquisition of the Own Company by Salesforce in September 2024 underscores this trend. It enables Salesforce to accelerate the growth of its platform data security, privacy, and compliance products by investing more deeply in pure cloud-native data protection solutions.

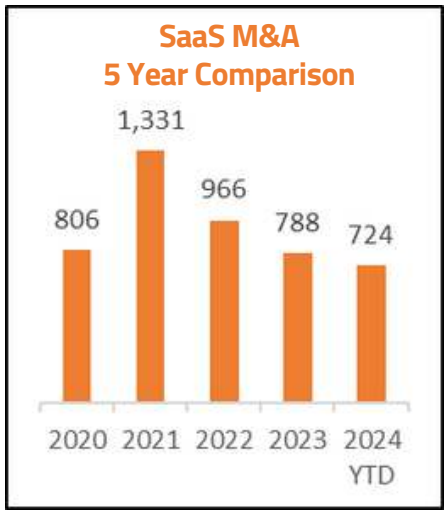
In conclusion, the software M&A landscape is expected to remain vibrant, driven by the continuous evolution of technology and the need for companies to stay competitive. The positive trend observed so far in 2024 is likely to continue, with more companies exploring M&A as a strategic tool for growth and innovation. Financial buyers may provide the next leg of growth for the sector's M&A, with private equity sitting on near-record dry powder, according to S&P Global, easing monetary and broader policy uncertainties entering 2025, and continued strong fundamental performance of SaaS companies. As the market evolves, we can expect to see more high-value transactions and strategic consolidation, further shaping the future of the software industry.

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.

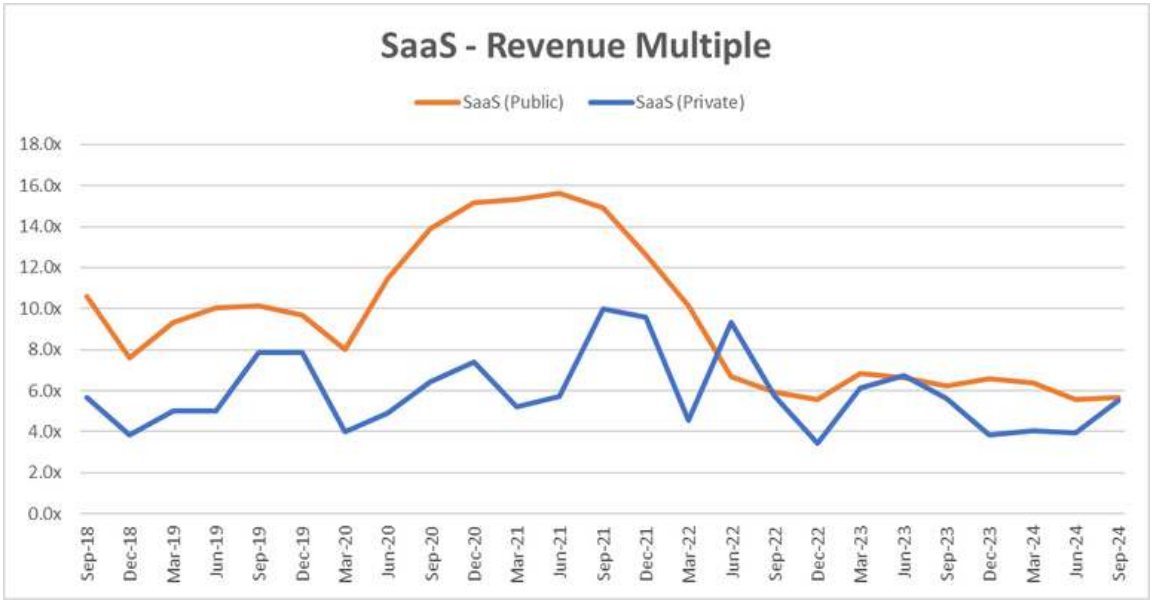
C: (248) 568 -1818
E: krutz@goblueriver.com

Q3 2024 Software Market Performance

Software market acquisitions in Q3 2024 highlight a significant 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 and most likely surpass 2023 levels. The 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

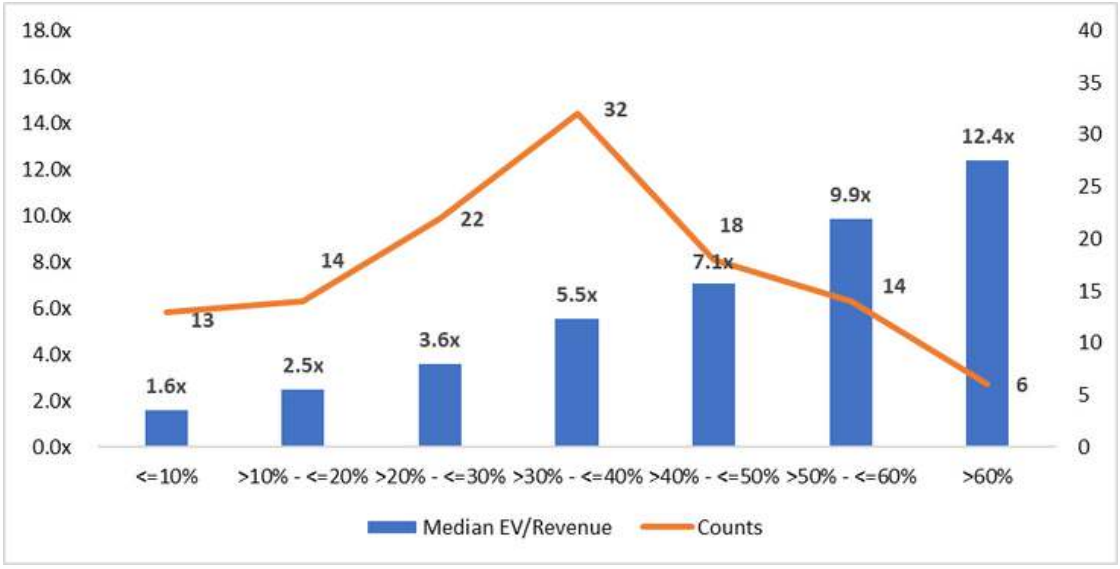
Public Financial Data

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 2024E	EV / EBITDA 2024E	P/E 2024E
Analytics & Data Management	-9.14%	-11.62%	3.1x	32.1x	48.8x
Communications & Collaboration	8.37%	12.13%	3.2x	11.3x	14.1x
Dev Ops & IT Management	24.97%	2.82%	6.6x	42.5x	52.3x
ERP & Supply Chain	51.37%	17.38%	8.6x	28.8x	42.6x
Financial Applications	13.19%	15.39%	6.1x	26.1x	43.1x
Human Capital Management	-0.83%	12.14%	5.4x	14.6x	31.0x
Sales & Marketing	14.40%	-0.21%	4.0x	27.4x	34.4x
Security	36.04%	-12.12%	7.8x	26.6x	31.4x
Vertically Focused	19.74%	12.53%	4.5x	20.3x	27.7x
Other SaaS	47.28%	18.29%	5.2x	22.9x	27.2x
AVERAGE:	20.54%	6.67%	5.4x	25.3x	35.3x
MEDIAN:	17.07%	12.14%	5.3x	26.4x	32.9x

Rule of 40

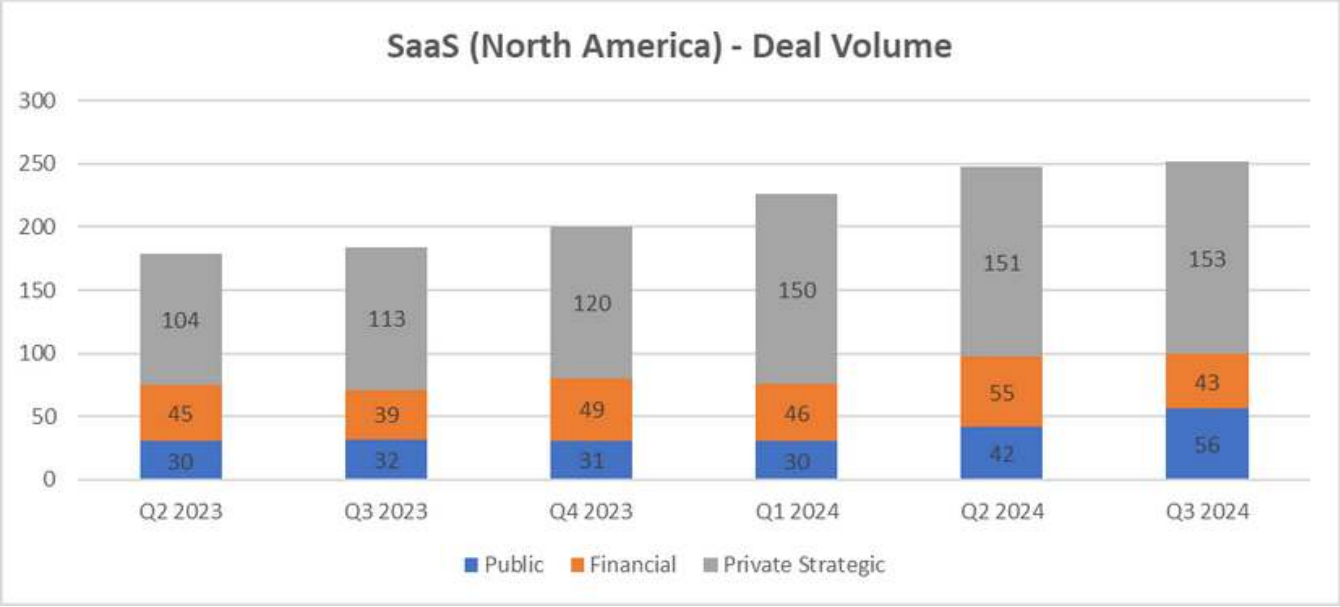
This section presents revenue multiples for public companies with different Rule of 40 performance. (Rule of 40 is defined as revenue growth percentage + EBITDA margin).

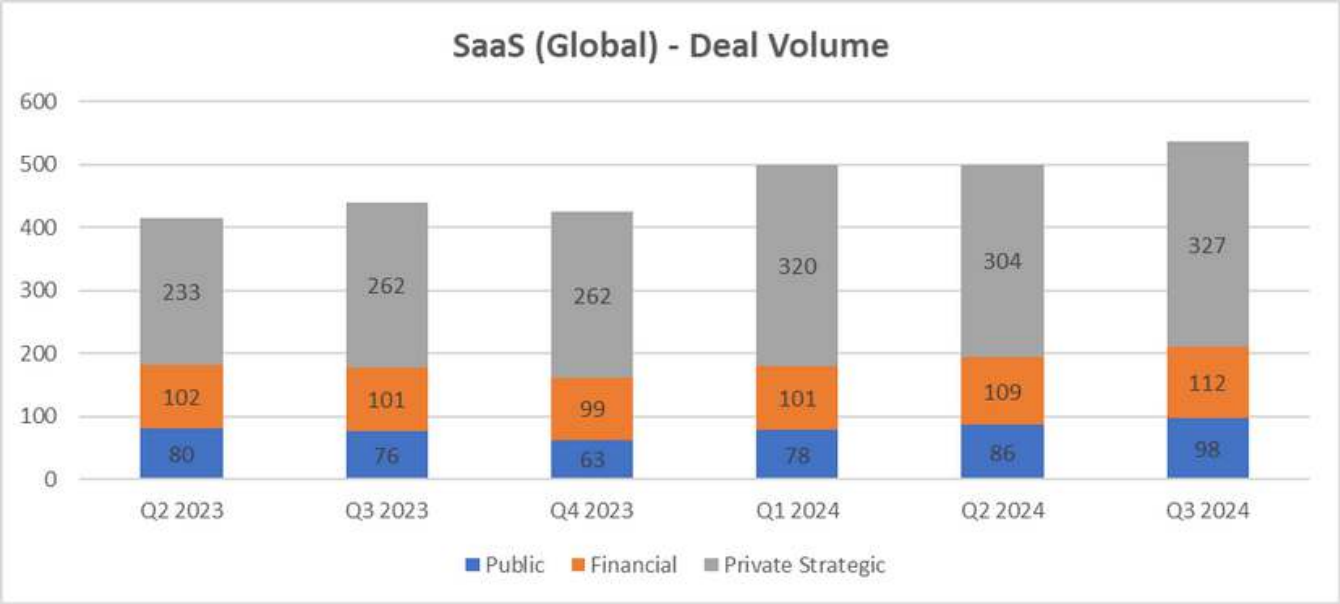


Data Sources: Proprietary Databases

Q3 2024
M&A Performance

Global Software M&A activity in Q3 2024 was at par in comparison to the previous two quarters and displayed a similar trend when compared to Q3 2023. Deal volume in North America picked up in Q3 2024 with an uptick in the number of transactions from the last two quarters.

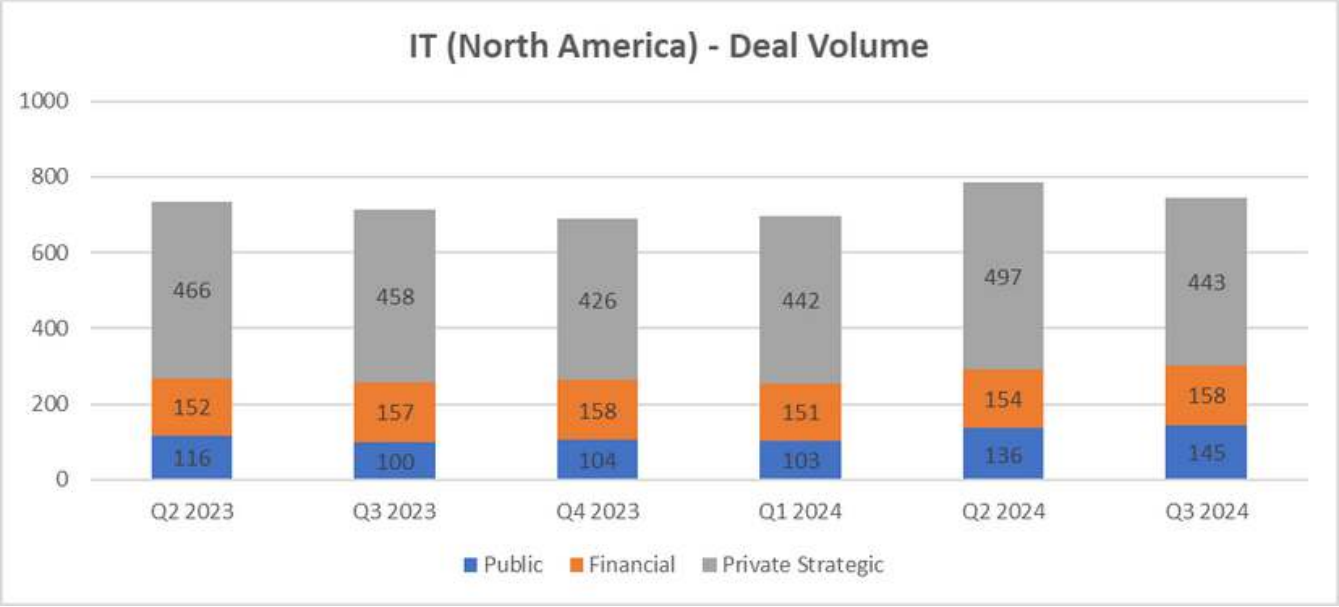


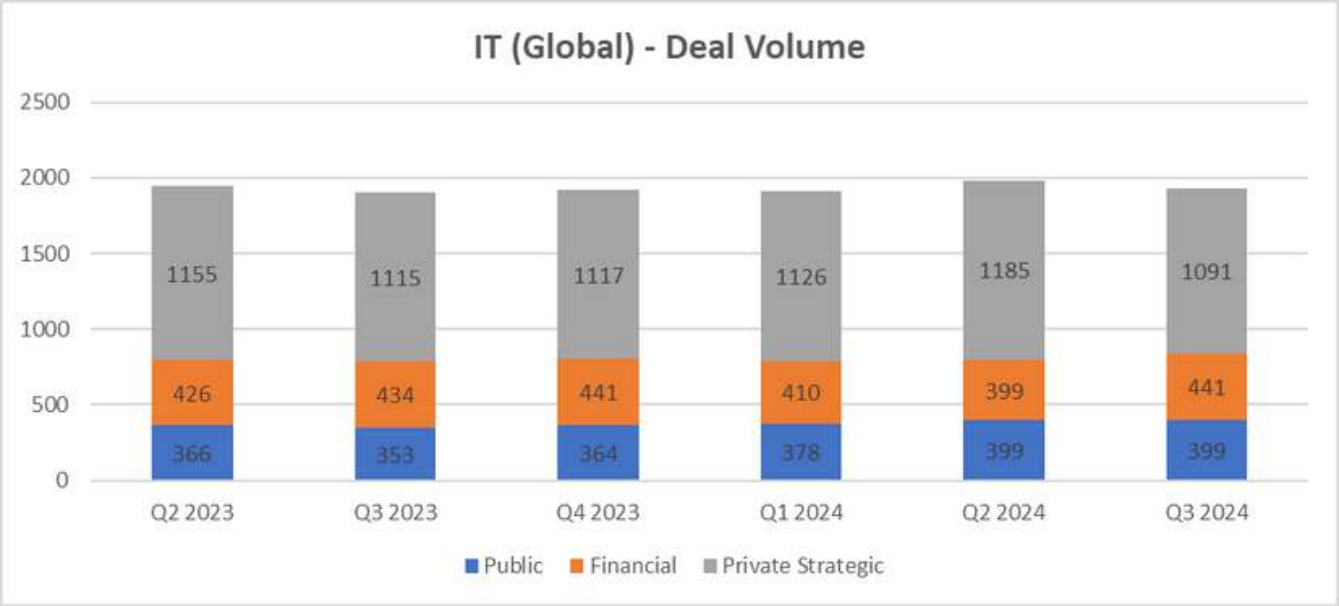


Data Sources: Proprietary Databases

Q3 2024
M&A Performance

Global Technology M&A activity in Q3 2024 was stable and in line with the previous quarters. Deal volume in North America decreased slightly by 5% in Q3 2024, however it is expected to recover and stay positive in the coming quarters driven by increasing demand for computing power to support complex AI-driven application.





Data Sources: Proprietary Databases

Notable Public Software Transactions

Notable public transactions in the software industry for Q3 2024 are listed below, including the investment rationale.

IBM has acquired StreamSets

Rationale: International Business Machines (IBM) has acquired StreamSets. This strategic acquisition expands IBM's robust data integration capabilities, helps to solidify its position as a leader in the data integration market, and enhances its capabilities.

- **Date:** July 2024
- **EV:** $2,130 Million
- **Multiples**: EV/Revenue: 93.4x
- **Subsector:** Analytics & Data Mgmt.

NEMETSCHEK GROUP has acquired GoCanvas

Rationale: Nemetschek Group has acquired GoCanvas. The acquisition will capture significant growth opportunities and technology synergies through further enhancing market and customer access.

- **Date:** July 2024
- **EV:** $700 Million
- **Multiples:** EV/Revenue: 10.5x
- **Subsector:** Dev Ops & IT Mgmt.

INSTRUCTURE has acquired Scribbles Software

Rationale: Infrastructure has acquired Scribbles Software. This acquisition expands Instructure's credentialing network further into K-12 while also bringing significant support for district transfer and student mobility.

- **Date:** July 2024
- **EV:** Not Disclosed
- **Subsector:** Vertically Focused

HEALWELL AI has acquired VeroSource

Rationale: Healwell AI has acquired VeroSource Solutions. This acquisition provides additional expertise for HEALWELL to further accelerate its mission of early disease detection and allow seamless access and interaction with healthcare data through VeroSource's cloud-based platform.

- **Date:** July 2024
- **EV:** $24.5 Million
- **Multiples:** EV/Revenue: 3.1x
- **Subsector:** Vertically Focused

Agilent has acquired Sigsense Technologies

Rationale: Agilent Technologies along with its financial advisors has acquired Sigsense Technologies. This acquisition allows Agilent to integrate technology which helps high-throughput labs operate more efficiently.

- **Date:** July 2024
- **EV:** Not Disclosed
- **Subsector:** Analytics & Data Mgmt.

fiverr. has acquired AUTO-DS

Rationale: Fiverr International has acquired AutoDS. This acquisition marks another step in Fiverr's transformation from a marketplace into a powerful platform that offers not only access to talent but also software solutions for its audience, making it a one-stop shop for their entire digital needs.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** ERP & Supply Chain

Notable Public Software Transactions

has acquired

Rationale: Fortinet has acquired Lacework. This acquisition enhances the industry's most comprehensive cybersecurity platform by Fortinet and accelerates its growth strategy.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Security

has acquired

Rationale: ConnectM has acquired DeliveryCircle. This acquisition helps ConnectM to expand its operations into the last-mile transportation and logistics vertical.

- **Date:** August 2024
- **EV:** $5 Million
- **Multiples:** EV/Revenue: 1.1x
- **Subsector:** ERP & Supply Chain

has acquired

Rationale: Flywire has acquired Invoiced. This acquisition is expected to build on Flywire's existing B2B payments business by enhancing the software suite it provides to its global clients and target segments.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Financial Applications

has acquired

Rationale: ScanSource has acquired Advantix Solutions Group. This acquisition helps ScanSource's hardware-focused solution providers add value to its hardware sales and develop hybrid hardware and connectivity solutions.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Communications & Collab.

has acquired

Rationale: Asure Software has acquired Hireclick. This acquisition enables Asure to further empower small and mid-sized businesses to win the war for talent.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Human Capital Mgmt.

has acquired

Rationale: Capegemini has acquired Syniti. The acquisition augments Capgemini's data-driven solutions for clients across the globe, in particular large scale SAP transformations.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Analytics & Data Mgmt.

Notable Public Software Transactions

Hewlett Packard Enterprise has acquired MORPHEUS

Rationale: Hewlett Packard Enterprise (HPE) has acquired Morpheus. This acquisition will help expand what HPE GreenLake cloud can do to simplify IT complexity.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Dev Ops & IT Mgmt.

abaxx. has acquired PrivacyCode

Rationale: Abaxx Technologies has acquired PrivacyCode. This acquisition allows Abaxx to expand and integrate technologies to provide better security features.

- **Date:** August 2024
- **EV:** Not Disclosed
- **Subsector:** Security

salesforce has acquired Own

Rationale: Salesforce has acquired Own Company. This acquisition underscores Salesforce's commitment to strengthening data security, privacy, and compliance across its platform.

- **Date:** September 2024
- **EV:** $1,900 Million
- **Multiples**: EV/Revenue: 7.4x
- **Subsector:** Security

IBM has acquired kubecost

Rationale: International Business Machines (IBM) has acquired Kubecost. This acquisition helps IBM to bolster its IT and FinOps capabilities as enterprises increasingly look to better manage their increasingly complex cloud and on-prem infrastructure.

- **Date:** September 2024
- **EV:** Not Disclosed
- **Subsector:** Dev Ops & IT Mgmt.

DESCARTES has acquired MyCarrier Portal

Rationale: Descartes Systems Group has acquired MyCarrierPortal. This acquisition helps Descartes enable improved Know-Your-Carrier capabilities to improve supply chain performance and fraud reduction.

- **Date:** September 2024
- **EV:** $30 Million
- **Multiples**: EV/Revenue: 11.1x
- **Subsector:** ERP & Supply Chain

gevo has acquired CultivateAI

Rationale: Gevo has acquired Cultivate AI. This acquisition helps Gevo to fold the company's SaaS platform into its wholly owned Verity subsidiary to accelerate Verity's business development and growth.

- **Date:** September 2024
- **EV:** $6 Million
- **Multiples**: EV/Revenue: 3.5x
- **Subsector:** Vertically Focused

Notable Private Software Transactions

Notable private transactions in the software industry for Q3 2024 are listed below, including the investment rationale.

Impel AI has acquired Outsell

Rationale: Impel (Business/Productivity Software) along with its financial advisors has acquired Outsell. This acquisition establishes the auto industry's first end-to-end AI sales and marketing automation platform, creating a combined company serving over 8,000 dealers in 51 countries.

- **Date:** July 2024
- **EV:** $100 Million
- **Subsector:** Sales & Marketing

SPS COMMERCE has acquired supplypike

Rationale: SPS Commerce acquired Supplypike. The acquisition expands SPS Commerce's product portfolio with automated invoice deduction management and prevention.

- **Date:** August 2024
- **EV:** $206 Million
- **Subsector:** ERP & Supply Chain

Five9 has acquired ACQUEON

Rationale: Five9 has acquired Acqueon Technologies. This acquisition adds capabilities to Five9's Intelligent CX Platform to become the orchestration engine for every interaction across the entire customer journey, including marketing, e-commerce, sales and customer service.

- **Date:** August 2024
- **EV:** $165 Million
- **Subsector:** Communications & Collab.

ERAAYA Lifespaces Limited has acquired EBIX

Rationale: Eraaya Lifespaces has acquired Ebix. This acquisition aims to secure 100% equity and assets of EBIX's worldwide subsidiaries while excluding liabilities in the North American entity, except those expressly assumed by the consortium.

- **Date:** August 2024
- **EV:** $152 Million
- **Subsector:** Financial Applications

agilysys has acquired book4time

Rationale: Agilysys has acquired Book4time. This acquisition extends overall global presence for Agilysys, consolidates market leadership in spa management software and creates further subscription revenue growth opportunities.

- **Date:** August 2024
- **EV:** $150 Million
- **Subsector:** Vertically Focused

CONFLUENT has acquired WarpStream

Rationale: WarpStream has acquired Confluent. This acquisition will allow Confluent to use WarpStream's cloud-native solution to fill out its portfolio by offering a new service (Confluent WarpStream) that can sit in between its fully managed Confluent Cloud and self-managed Confluent Platform.

- **Date:** September 2024
- **EV:** $220 Million
- **Subsector:** Dev Ops & IT Mgmt.

Listing of Software Transactions

The section includes several highlighted transactions for Q3 2024 in the Software industry.

Closed Date	Target Name	Acquirer	Target Description	EV ($m)	EV/ Revenue	EV/ EBITDA
9/30/2024	Black Duck Software	Clearlake Capital Group, Francisco Partners	Developer of security and license management software	$2,100.0	-	-
9/25/2024	Virscidian	Ares Capital, Dotmatics, Insight Partners	Developer of scientific analytical desktop and enterprise software	-	-	-
9/18/2024	Campfire Interactive	Invictus Growth Partners	Developer of enterprise software solutions for manufacturing companies and automotive suppliers	$37.0	9.5x	-
9/18/2024	Velocity Solutions	Bridgeport Partners and Consortium	Developer of technology-enabled revenue-driving systems designed for financial institutions	-	-	-
9/17/2024	Node	Dulcedo	Developer of an influencer application designed to assist brands in posting products	$13.0	0.2x	-
9/13/2024	Squarespace (NYS: SQSP)	Permira	Provider of subscription-based website-building software and hosting services servicing entrepreneurs and micro businesses	$6,877.6	6.2x	60.4x
9/9/2024	ACOM Systems	Valsoft Corporation and Financial Advisors	Developer of document and payment output management systems intended to serve healthcare, financial services, and other sectors	-	-	-
9/4/2024	ClinTrialConnect	uMotif	Developer of a mobile clinical trial management software designed	-	-	-
9/4/2024	HealthPivots	Netsmart Technologies and Financial Advisors	Developer of cloud-based healthcare data analytics and services platform	-	-	-
8/31/2024	Behavior Science Technology	Arc Capital Development, CentralReach, Insight Partners	Developer of healthcare SaaS platform designed to make data-driven decisions	-	-	-
8/29/2024	Ncontracts	Hg	Developer of integrated risk management software designed to continually improve clients' ability to manage risk and compliance	$39.7	0.6x	-

Data Sources: Proprietary Databases

Listing of Software Transactions

Closed Date	Target Name	Acquirer	Target Description	EV ($m)	EV/ Revenue	EV/ EBITDA
8/26/2024	redIQ	Radix (Business/Productivity Software)	Developer of underwriting software intended to transform the analysis and underwriting of multifamily transactions	$20.0	8.7x	-
8/22/2024	AkkenCloud	Avionté Staffing Software, Serent Capital	Developer of an online staffing and recruiting platform, serves industrial, healthcare, and other sectors	-	-	-
8/21/2024	Truepill	LetsGetChecked	Developer of a telehealth platform designed to build, manage, and scale pharmacy experience	$525.0	5.2x	-
8/19/2024	COREZI	Nobl Q	Provider of cloud-based and digital transformation services, offers customized technology strategies, including Cloud, Infra, among others	-	-	-
8/15/2024	LeaseWorks	Portside and Financial advisors	Developer of software intended to reduce the time chasing information and more time making decisions	-	-	-
8/9/2024	HourWork	Sprockets	Developer of a management application designed to optimize the hourly workforce	-	-	-
8/7/2024	InQuest	Brighton Park Capital, Opswat	Developer of network-based security software intended to serve the healthcare, finance, government and other sectors	-	-	-
8/1/2024	One Network Enterprises	Blue Yonder (Scottsdale)	Developer of a cloud business platform designed for autonomous supply chain management	$839.0	6.6x	-
7/29/2024	FileTrail	Hg, Litera	Developer of a governance software suite designed for legal firms and corporate departments	-	-	-
7/23/2024	Planck	Applied Systems and Financial Advisors	Developer of an AI-based data platform designed to offer real-time insurance-related data analytics insights to insurance providers	-	-	-
7/23/2024	Skematic	Financial Recovery Technologies	Developer of a workflow management platform designed for compliance teams	-	-	-

Data Sources: Proprietary Databases

Listing of Software Transactions

Closed Date	Target Name	Acquirer	Target Description	EV ($m)	EV/ Revenue	EV/ EBITDA
7/18/2024	HeadSpin	PartnerOne	Developer of a digital experience intelligence platform designed to provide flawless digital experiences	$28.2	0.5x	-
7/12/2024	aDolus Technology	Exiger, Insight Partners, The Carlyle Group (NAS: CG)	Developer of a cybersecurity SaaS platform intended for industrial and medical systems		-	-
7/2/2024	Everbridge	Thoma Bravo	Provider of enterprise software applications that automate and accelerate organizations' operational response to critical events	$1,678.6	3.7x	-
7/1/2024	PayK12	Raptor Technologies and Financial Advisors	Developer of a cloud-based software platform designed to reduce risks and enhance the efficiency of school payments	-	-	-

Data Sources: Proprietary Databases

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.

BLUE RIVER
FINANCIAL GROUP

goblueriver.com
contact@goblueriver.com
(248) 309-3730
(248) 309-3742