



Software M&A Update

1Q 2021

CONTENTS

- 2 Global Deal Analytics
- 6 Valuation Multiples
- 8 Leading M&A Deals
- 12 Industry Outlook
- 13 Our Service Offerings
- 14 Selected Transactions
- 15 Our M&A Team

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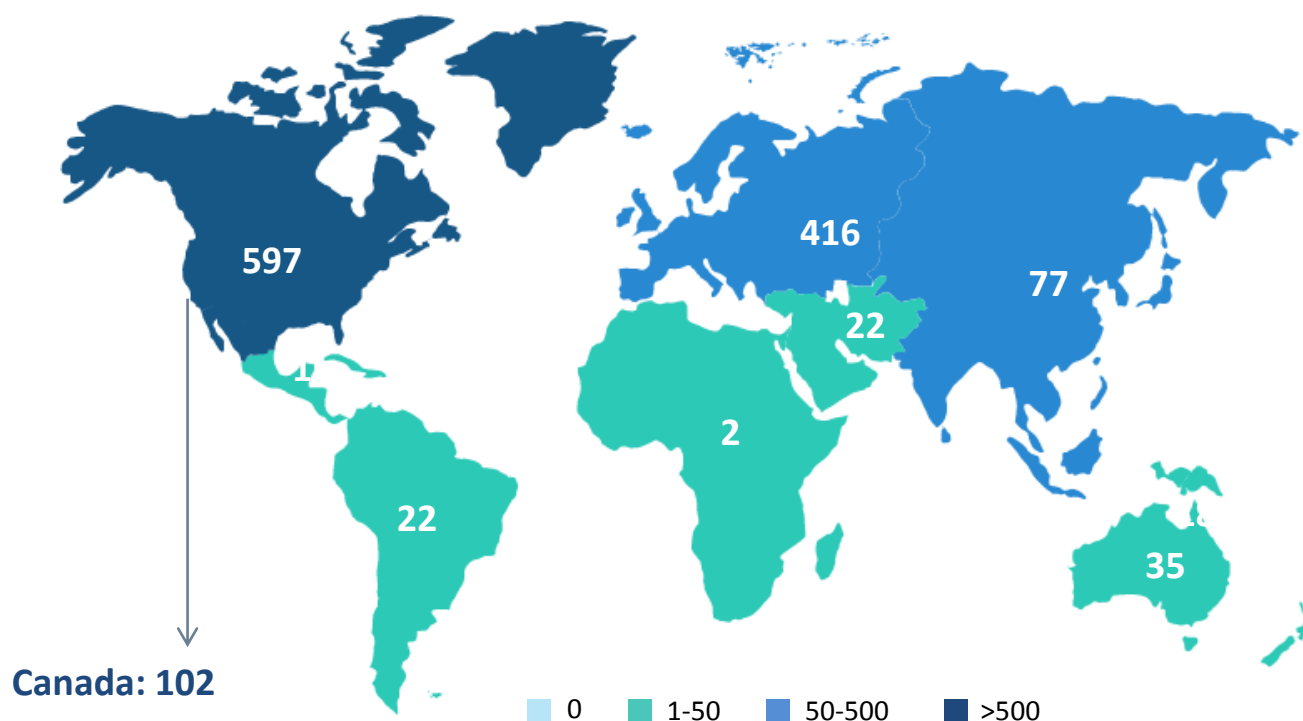
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REPORT HIGHLIGHTS

- M&A deal volume in the Software sector saw a significant bounce back in Q1 2021 to 1,172 deals, up 30% from 902 deals in Q4 2020 and up 69% from 695 in Q1 of the prior year
- Total capital invested increased 92% to \$71.4B in Q1 2021 from \$37.1B in the same period of the prior year, and 72% from \$41.6B in Q4 2020
- Strategic buyers accounted for 55.5% of deal volume in Q1 2021 vs PE investors with 44.5%
- The acquisition of Refinitiv by London Stock Exchange Group (LON: LSE) for \$14.8 billion on January 29, 2021, represented the largest completed transaction in Q1
- M&A transaction multiples continued the upward momentum while stock prices and public comps trended lower in Q1 2021

Global Deal Analytics

We tracked all 1,172 deals globally in the Software sector in Q1 2021. North America was the most active market with 597 completed transactions, most notably was the acquisition of Refinitiv by London Stock Exchange Group (LON: LSE) for \$14.8 billion. Europe was the second most active region with 416 deals and all other regions combined for a total of 159.



United States Regions

West Coast:	138
Mid Atlantic:	101
Southeast:	62
Mountain:	50
South:	41
Other:	103

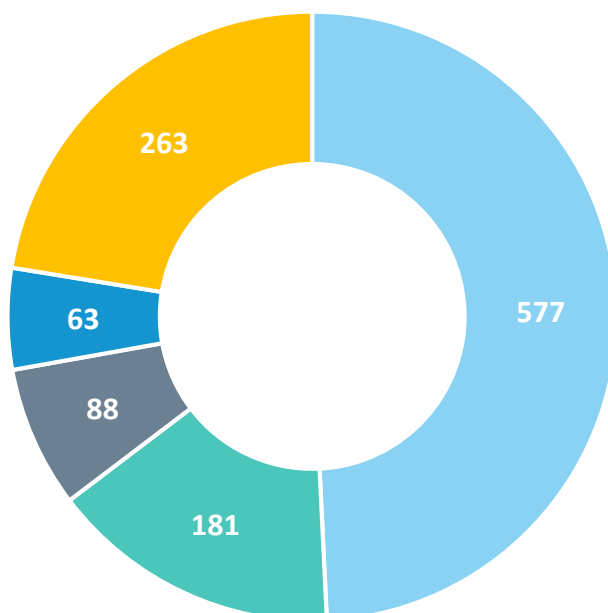
In the North American market, the West Coast region was the most active in Q1 2021 with 138 closed deals followed by the Mid Atlantic and Southeast regions with 101 and 62 closed deals, respectively.

Outside of the U.S. in the North America market, 102 transactions closed in the Canadian market in Q1 2021. The acquisition of Verafin by NASDAQ (NAS:NDAQ) for \$2.75 billion on February 11, 2021 represented the largest completed transaction in Canada in the quarter.

Global Deal Analytics

Of the 1,172 Software deals in Q1 2021, 577 were in the Business/Productivity subsector, making it the most active subsector in the industry from an M&A standpoint. Fintech was the second most active with 181 deals followed by Entertainment and Network Management with 88 and 63 closed deals, respectively.

Deal by Sector



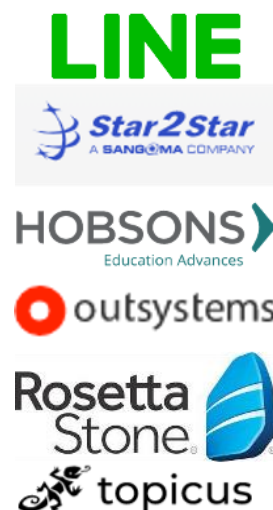
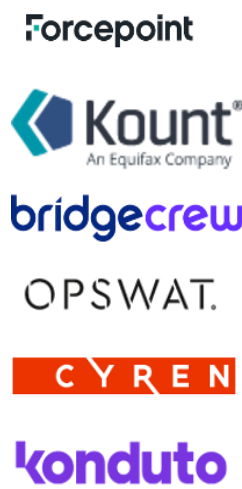
Business/Productivity

Fintech

Entertainment

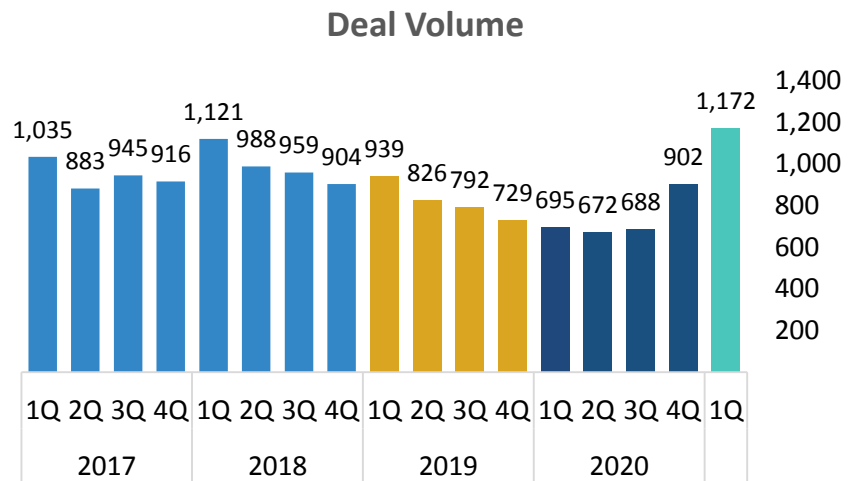
Network Management

Other

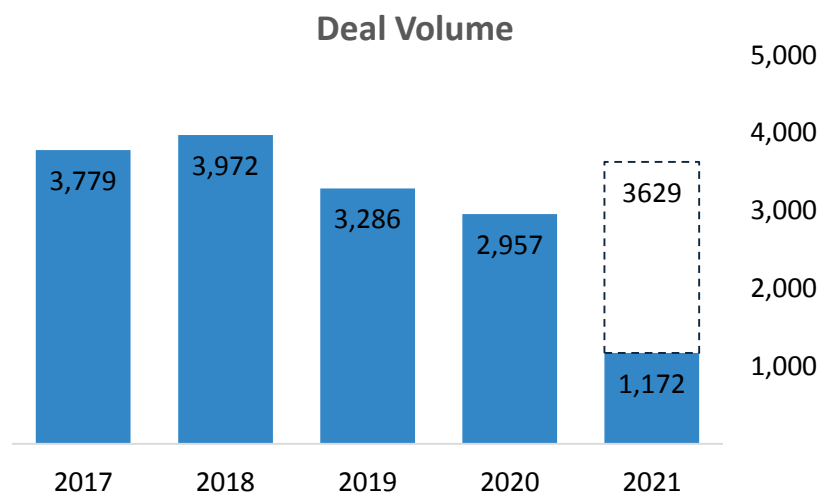


Global Deal Analytics

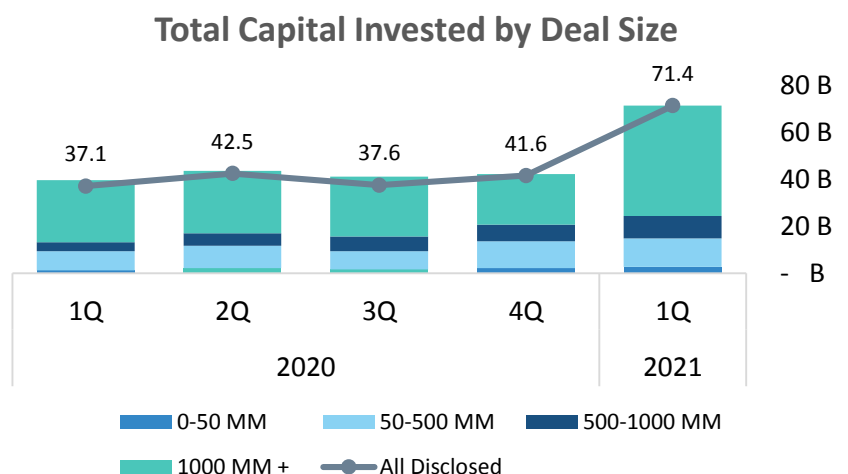
Deal volume in the Software sector saw a significant bounceback in Q1 2021 to 1,172 deals, up 30% from 902 deals in Q4 2020 and up 69% from 695 in Q1 of the prior year.



With recent developments on the vaccine front, we are seeing a strengthening economic recovery and anticipating a gradual uptick in M&A activity in the first half of 2021 and a return to its pre-pandemic level, surpassing 2020 deal volume by the end of 2021.



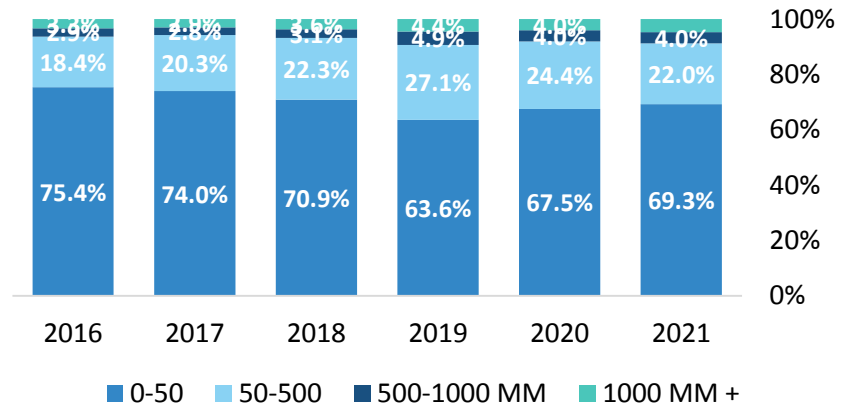
Total capital invested in M&A transactions in Q1 2021 in the Software sector increased 92% to \$71.4B from \$37.1B in Q1 2020, and 72% from \$41.6B in Q4 2020. Of note was that the amount of capital invested in the upper tranche (\$1000 MM+) more than doubled from prior year levels.



Global Deal Analytics

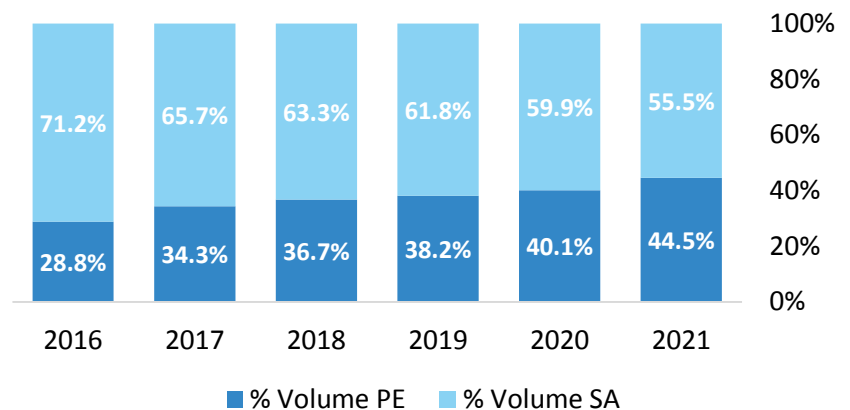
Deal volume in the lower middle market (\$0 - \$50MM) saw an increase as a % of overall volume from 67.5% in FY 2020 to 69.3% in Q1 2021. On the other hand, we saw a decrease as a % of overall volume in the mid-sized tranche of the middle market (\$50MM - \$500 MM) from 24.4% to 22.0%.

Deal Volume by Deal Size



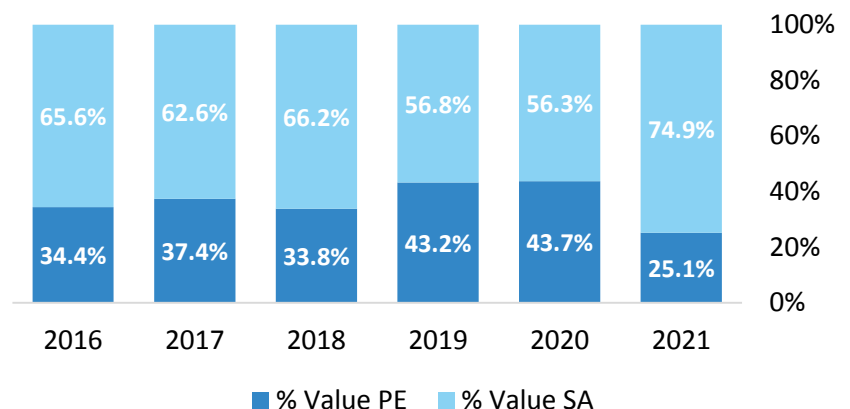
While strategic buyers have historically accounted for the majority of M&A volume in the sector, we have seen a steady trend of increasing participation by private equity buyers over the years from 28.8% in 2016 to 40.1% in 2020. The same trend continued in Q1, 2021 with PE volume reaching 44.5%.

Deal Volume by Acquirer



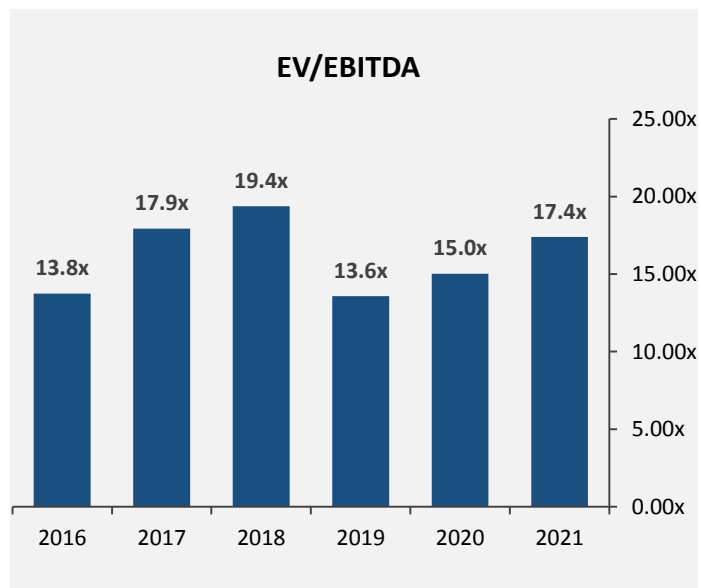
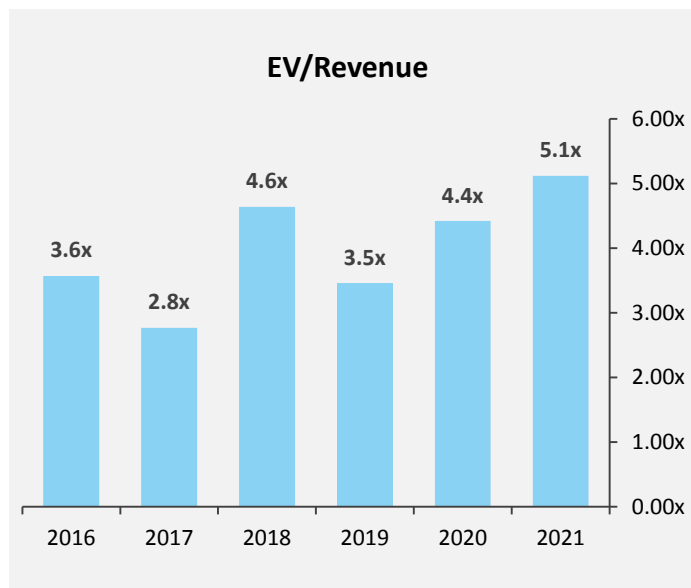
Similar to the trends in deal volume, private equity buyers have also made up an increasing share of total capital invested in recent years and reached the highest level in the past six years in 2020 at 43.7%. However, in Q1 2021, strategic participation rebounded significantly to represent 74.9% of total capital invested as strategics accounted for 7 out the top 10 largest transactions in Q1.

Total Capital Invested by Acquirer

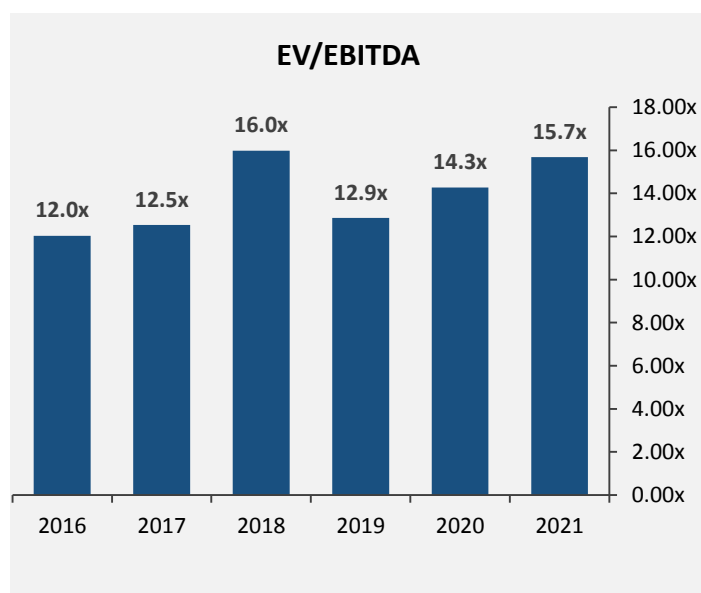
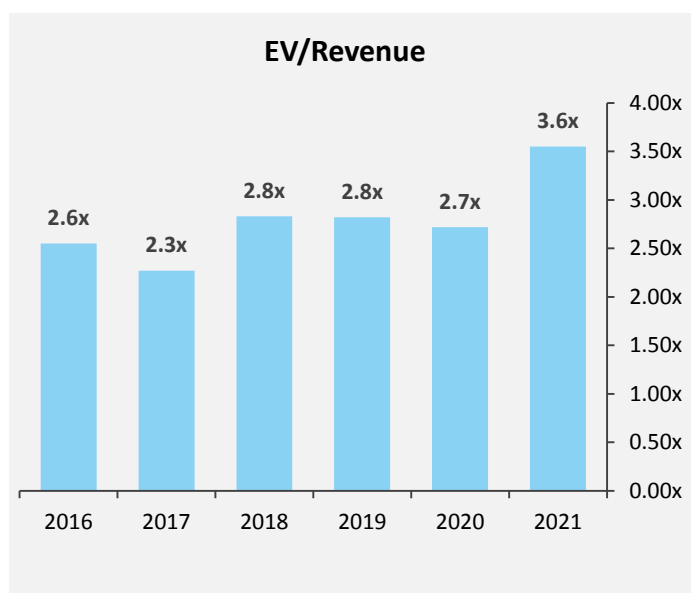


Valuation Multiples

PE Multiples



Strategic Multiples



Largest Deals (Completed)

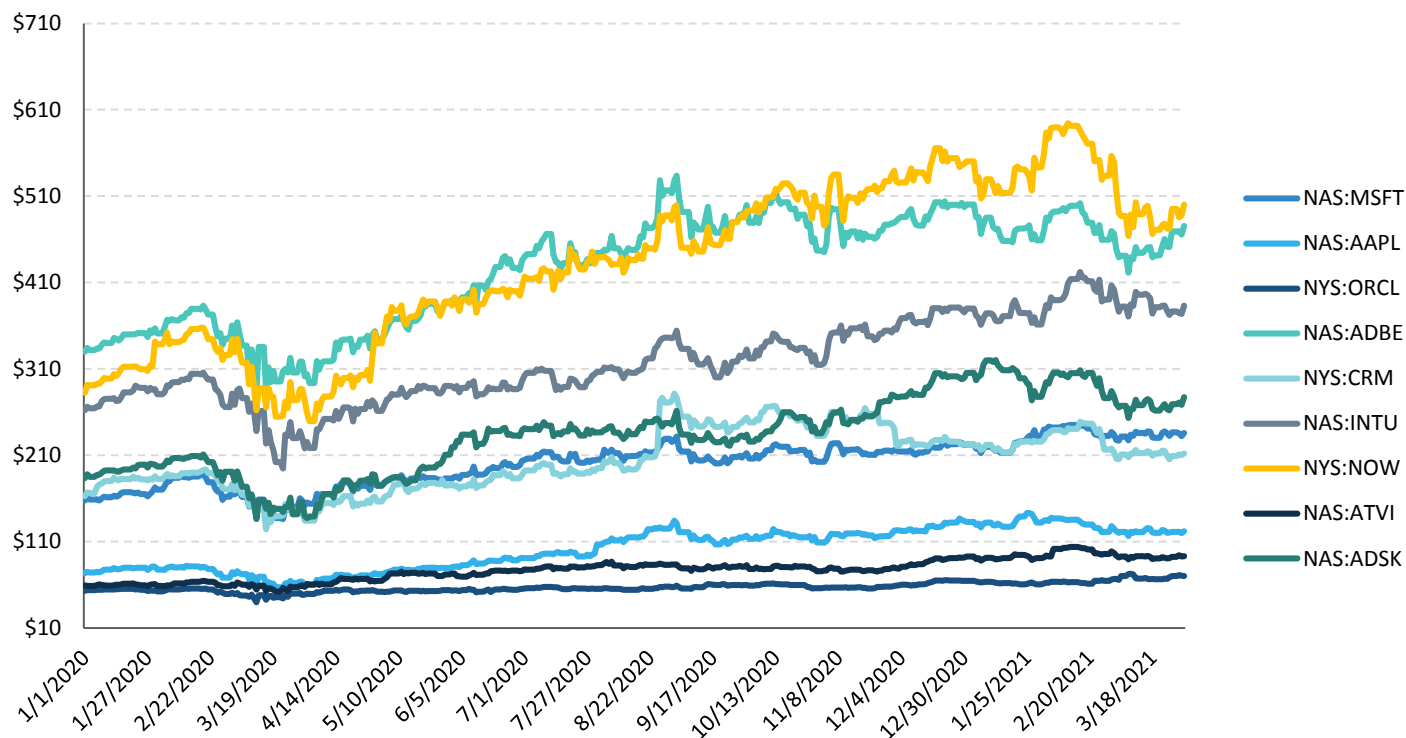
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
29-Jan-2021	Refinitiv	London Stock Exchange Group (LON: LSEG)	Merger/Acquisition	14,800.00	4.15x	-	Developer of financial data and risk analytics tools.
09-Mar-2021	ZeniMax Media	Microsoft (NAS: MSFT)(Phil Spencer), Pantheon International (LON: PIN)	Merger/Acquisition	7,500.00	-	-	Developer of gaming software.
22-Mar-2021	Moonton	ByteDance	Merger/Acquisition	4,000.00	-	-	Developer of mobile games operating in Shanghai, China.
01-Mar-2021	LINE	Z Holdings (TKS: 4689)	Merger/Acquisition	3,100.00	0.62x	-	Line is the leading mobile messaging app in Japan, Taiwan, and Thailand, and also has a strong following in Indonesia.
11-Feb-2021	Verafin	NASDAQ (NAS: NDAQ)	Merger/Acquisition	2,750.00	-	-	Developer of cloud-based fraud detection and anti-money laundering software.
01-Mar-2021	Wrike	Citrix Systems (NAS: CTXS)	Merger/Acquisition	2,250.00	16.07x	-	Developer of a SaaS-based collaborative work management platform.
31-Mar-2021	Paysafe Group (NYS: PSFE)	Cannae Holdings (NYS: CNNE),Fidelity National Title Insurance	PIPE	2,000.00	-	-	Paysafe Ltd is an integrated payments platform.
17-Feb-2021	Acima Credit	Preferred Lease	Merger/Acquisition	1,647.00	1.32x	7.32x	Developer of a credit financing platform.
01-Mar-2021	Keyloop	Francisco Partners	Buyout/LBO	1,450.00	-	-	Developer of software for the automotive retail industry based in Hungerford, England.
31-Mar-2021	Paysafe Group (NYS: PSFE)	Foley Trasimene Acquisition Corp II	Reverse Merger	1,450.00	-	-	Paysafe Ltd is an integrated payments platform.
12-Feb-2021	Sparta Systems	Honeywell (NYS: HON)	Merger/Acquisition	1,300.00	-	-	Developer of enterprise quality management software (EQMS).
18-Feb-2021	Codemasters	Electronic Arts (NAS: EA)	Merger/Acquisition	1,260.16	8.03x	14.80x	Video game developer and publisher specializing in racing games.
05-Mar-2021	Signavio	SAP (ETR: SAP)	Merger/Acquisition	1,208.80	-	-	Developer of business process management software in Berlin, Germany.
19-Jan-2021	Sitecore	-	PE Growth/Expansion	1,200.00	-	-	Developer of content marketing and digital asset management software based in San Francisco, California.
11-Jan-2021	Forcepoint	Francisco Partners	Buyout/LBO	1,100.00	-	-	Provider of cybersecurity software.
05-Jan-2021	Information Builders	TIBCO Software, Virgo Capital, Vista Equity Partners	Buyout/LBO	1,000.00	-	-	Developer of business intelligence and integration software.
31-Mar-2021	Innovyze	Autodesk (NAS: ADSK)	Merger/Acquisition	1,000.00	-	-	Developer of business analytics and performance monitoring software.
18-Mar-2021	Embracer Group (STO: EMBRAC B)	Alecta, AMF Pensionsförsäkring, Canada Pension Plan Investment Board, Swedbank Robur	PIPE	899.19	-	-	Developer of PC, console, and mobile games for the global games market.
22-Feb-2021	GoCo Group	Future (Media) (LON: FUTR)	Merger/Acquisition	818.85	-	-	Provider of internet-based price comparison website for financial and non-financial products.
02-Feb-2021	InvestCloud	Accenture (NYS: ACN), Citi Ventures, Clearlake Capital Group, Fiserv (NAS: FISV), Motive Partners	Buyout/LBO	800.00	3.51x	-	Operator of a digital financial services platform.
19-Feb-2021	IMImobile	Cisco Systems (NAS: CSCO)	Merger/Acquisition	730.00	3.21x	26.66x	IMImobile PLC is a cloud communications software and solutions provider.
15-Jan-2021	Arena Solutions	PTC (NAS: PTC)	Merger/Acquisition	715.00	14.30x	-	Developer of cloud product life cycle management and product development software in the U.S.
06-Jan-2021	Prophix Software	HG Capital (UK), HgCapital Trust (LON: HGT)	Buyout/LBO	672.41	6.72x	-	Provider of corporate performance management for midmarket companies.
11-Feb-2021	Kount	Equifax (NYS: EFX)	Merger/Acquisition	640.00	-	-	Provider of AI-driven fraud detection and prevention platform.
05-Feb-2021	E2open (NYS: ETWO)	CC Neuberger Principal (NYS: ETWO)	Reverse Merger	614.00	-	-	E2open Parent Holdings Inc is an end-to-end and cloud-based supply chain management SaaS platform.

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Refinitiv, a developer of financial data and risk analytics tools, was acquired by London Stock Exchange Group (LON: LSE) for \$14.8 billion on January 29, 2021. The deal will expand LSE's trading business and make it a major distributor and creator of market data.</p>	Global Expansion
 	<p>ZeniMax Media, a developer of gaming software, was acquired by Microsoft (NAS: MSFT) for \$7.5 billion on March 9, 2021.</p>	Portfolio Diversification
 MOONTON 	<p>Moonton, a developer of mobile games operating in Shanghai, China, was acquired by ByteDance for 4 billion on March 22, 2021.</p>	Growth Expansion
 	<p>DraftKings Inc. (NAS:DKNG), a digital sports entertainment and gaming company, received \$34 million of development capital from ARK Investment Management on February 1, 2021 through a private placement.</p>	PIPE

Public Comps

Stock Price

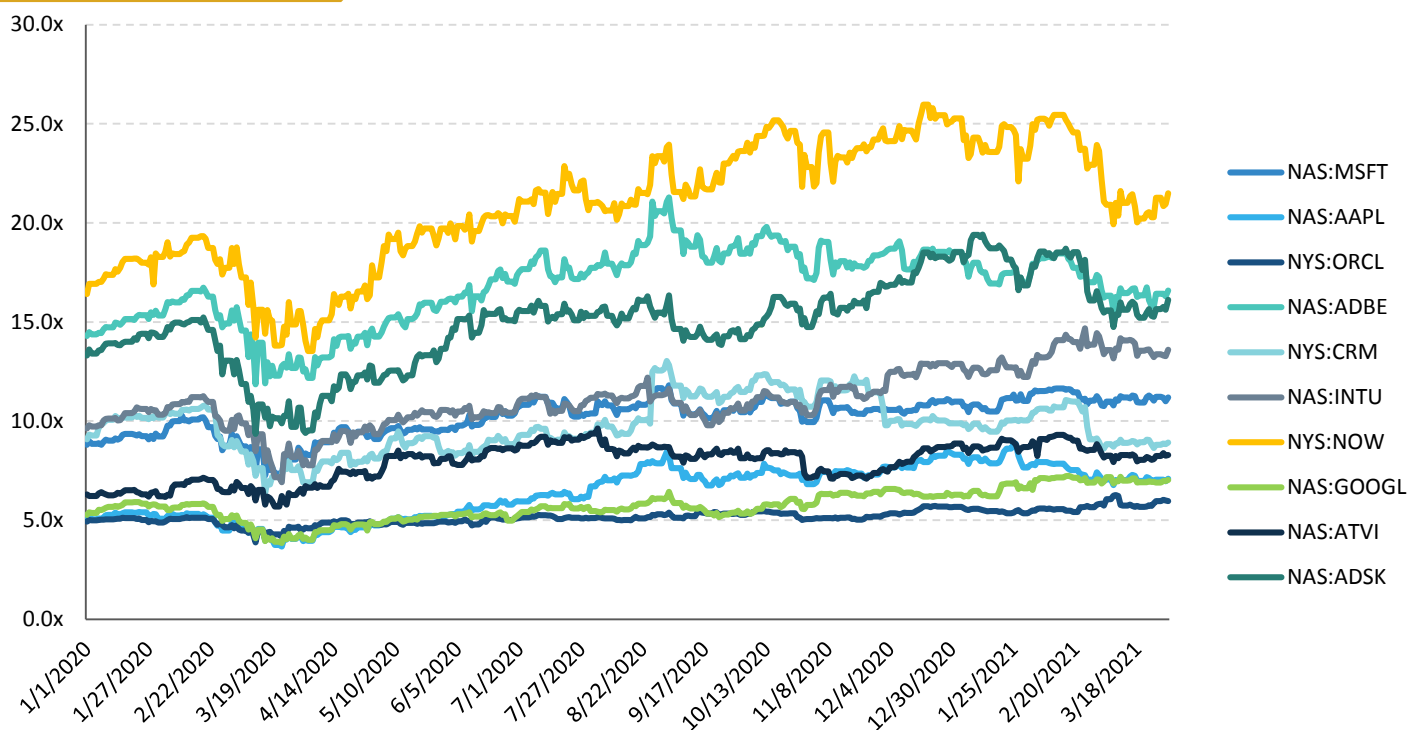


Financial & Valuation

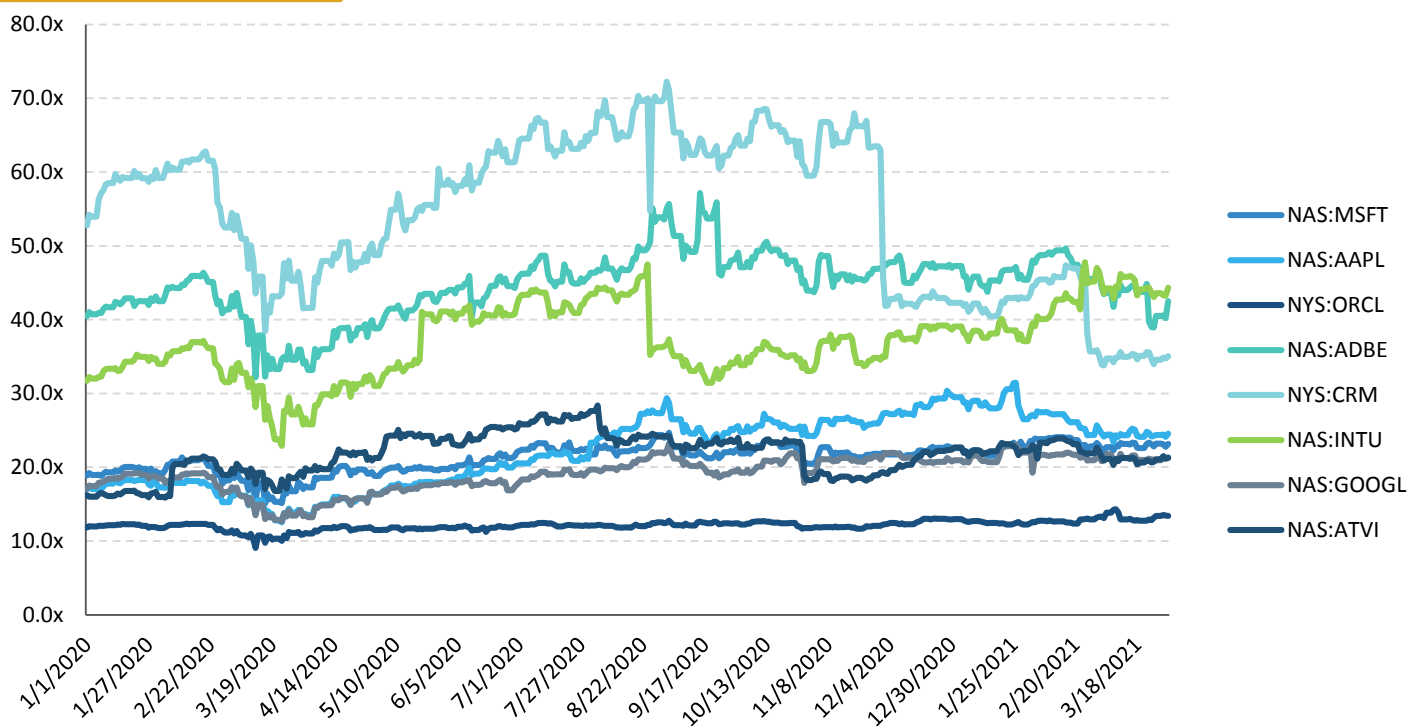
SMM Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
					19A	20A	21E	19A	20A	21E	19A	20A	21E	19A	20A	21E	19A	20A	21E
Microsoft	NAS:MSFT	235.8	1778228.2	69398.0	8.8x	11.0x	10.2x	18.8x	22.6x	22.0x	16%	13%	22%	65%	67%	74%	45%	47%	52%
Apple	NAS:AAPL	122.2	2050665.9	112043.0	5.0x	8.3x	7.2x	17.1x	29.5x	23.5x	16%	-2%	21%	38%	38%	42%	31%	30%	34%
Oracle	NYS:ORCL	70.2	202337.7	69299.0	4.9x	5.7x	5.6x	11.8x	13.0x	11.0x	2%	0%	1%	79%	80%	83%	41%	42%	52%
Adobe Systems	NAS:ADBE	475.4	227226.9	4707.0	14.3x	18.5x	15.8x	40.5x	47.3x	31.6x	24%	24%	42%	87%	85%	91%	36%	32%	50%
Salesforce.com	NYS:CRM	211.9	195132.3	6281.0	9.1x	9.9x	7.9x	52.8x	42.3x	27.8x	25%	26%	61%	74%	75%	75%	15%	17%	28%
Intuit	NAS:INTU	383.1	104897.1	2821.0	9.6x	12.9x	11.3x	31.7x	39.1x	31.2x	15%	13%	29%	83%	83%	88%	30%	30%	38%
ServiceNow	NYS:NOW	500.1	98071.6	2135.2	16.4x	25.3x	19.1x	225.2x	226.4x	63.8x	39%	32%	73%	76%	77%	84%	5%	7%	30%
Alphabet	NAS:GOOGL	2062.5	1392421.7	26772.0	5.3x	6.3x	5.0x	17.1x	21.0x	13.9x	24%	19%	39%	57%	56%	57%	31%	31%	39%
Activision Blizzard	NAS:ATVI	93.0	72052.1	3605.0	6.3x	8.9x	8.1x	16.2x	22.7x	19.8x	2%	-4%	22%	65%	67%	77%	34%	42%	44%
Autodesk	NAS:ADSK	277.2	60860.0	2104.6	13.3x	18.5x	15.8x	107.7x	99.7x	46.0x	20%	30%	38%	88%	90%	88%	-6%	11%	32%
Mean					9.3x	12.5x	10.6x	53.9x	56.3x	29.1x	18.4%	15.3%	34.9%	71.4%	71.6%	81.3%	26.1%	28.8%	40.0%
Median					8.9x	10.4x	9.2x	25.3x	34.3x	25.6x	18.1%	16.2%	33.3%	75.0%	75.8%	82.8%	30.6%	30.6%	38.5%

Public Comps

EV/Revenue



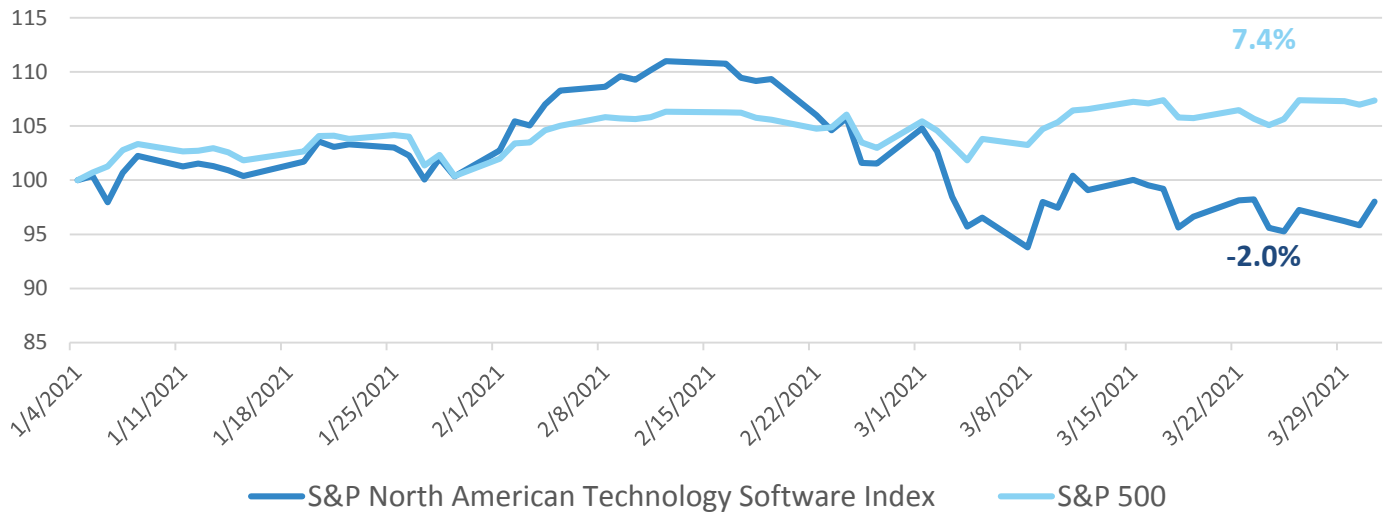
EV/EBITDA



Public Markets

Index Performance

Since January 2021, the S&P North American Technology Software Index had a -2.0% return compared to a 7.4% return for the S&P 500 Index.

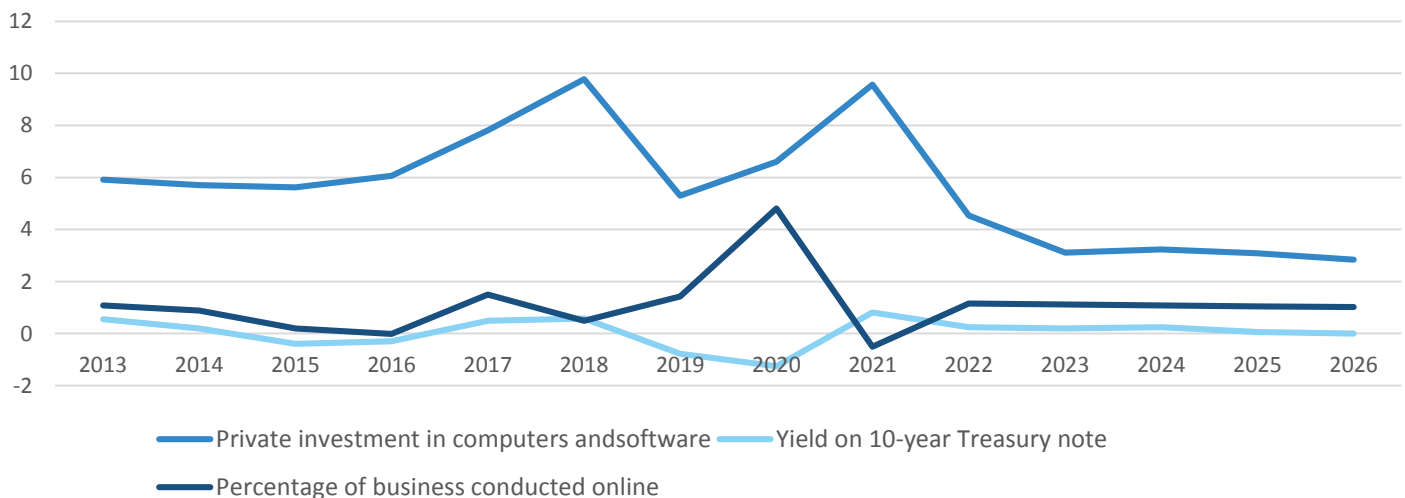


Key External Drivers

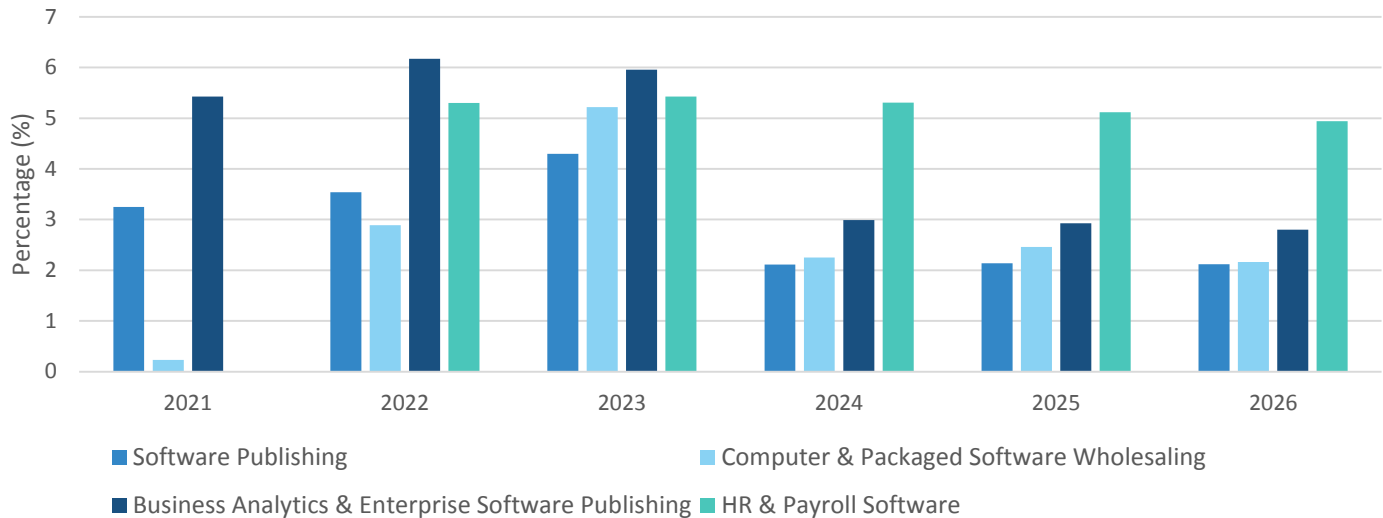
The level of private investment in computers and software reflects the general implementation of information technology within the private sector. When organizations increasingly rely on information technology, potential improvements from using business analytics software increases.

The percentage of business conducted online represents the increasing use of the internet by consumers and businesses for services that they have historically demanded in-person. When the percentage of business conducted online increases, demand for industry software that facilitates these business operations and transactions increases.

The level and movement of interest rates has a powerful influence on spending and investment decisions. When interest rates are high, it is more expensive for companies to raise capital and invest in operations, which includes purchases of enterprise software.



Industry Outlook



Software Publishing

Private investment in computers and software and the percentage of households with at least one computer are each anticipated to rise during the period, which will stimulate industry demand. Faster mobile internet connections and smartphone ownership rates will also support industry growth as new markets emerge and mature. Strong corporate profit among downstream industries like healthcare and finance, plus rising per capita disposable income among consumers, should contribute to revenue growth over the next five years as the effects of the COVID-19 (coronavirus) pandemic dissipate.

Computer & Packaged Software Wholesaling

Although demand for computers and software will remain high, particularly from business customers, changes already underway in the distribution of computers and software will persist, ultimately reducing wholesalers' role in the supply chain. Meanwhile, consumers will continue to do more computing on mobile devices and lower-cost laptops. Many smaller industry operators do not carry these products, and even those that do will be hurt by their falling selling prices. As a result, over the five years to 2026, industry revenue is projected to rise at an annualized rate of 3.0% to \$349.7 billion, coming off a low base caused by the coronavirus pandemic in 2020.

Business Analytics & Enterprise Software Publishing

Continued expansion into mobile and cloud platforms will likely drive growth, as new product innovations emerge during the outlook period. Furthermore, corporate profit is expected to return to growth, having dropped in 2020 as a result of the COVID-19 (coronavirus) pandemic, which will likely encourage investment in information technology infrastructure. The industry is expected to focus more on small businesses and underserved customers during the outlook period, as a natural point of saturation among large businesses is neared.

HR & Payroll Software

Rising corporate profit will encourage investment in information technology and software among businesses. Furthermore, a resurgent labor market will represent an opportunity for industry operators over the next five years, although unemployment is likely to remain elevated at first. With rebounding employment and a likely increase in the number of businesses in the United States during the period, operators will benefit from a greater number of new users. As corporate profitability in the US increases, the willingness and ability of small- and medium-sized firms to invest in software services to move recruitment and HR processes in-house will increase.

Our Service Offerings



Sell-Side Advisory: Sell your business

Sell your business for the highest price and for the best terms. At R.L. Hulett, communicating the value of your business to targeted buyers and finding the best fit for your team is our forte. We strive to maintain your company's culture and heritage even as you transition out of your business.



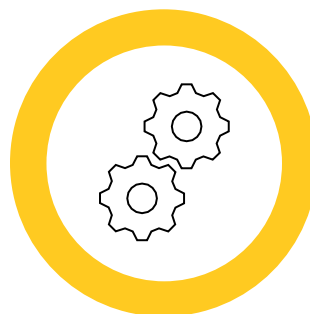
Buy-Side Advisory: Buy a business

Searching for acquisition targets can be a challenging and time-consuming task when trying to run your own business at the same time. Navigating the risks and pitfalls in negotiating valuation and deal structure can also be a daunting task for many business owners. Let our team help you minimize your risk and reduce time wasting efforts with our decades of experience in advising in both buy and sell-side M&A transactions. We utilize industry-leading M&A databases to scout for opportunities and pre-screen for "real" actionable targets so you can stay focused on what matters.



Capital Raise: Gain financial support

With nearly 40 years of experience in middle-market M&A advisory, we know how to package up your deal and put you in front of the right kind of investors who have the capital and the industry expertise you need to grow your business. Our team will develop a go-to-market strategy and advise on deal structure, valuation, due diligence and transition issues. Whether you are seeking capital for growth or trying to buy out other shareholders, we have the tools, expertise, and experience to execute a strategic process and find the optimal outcome to meet your objectives.



Restructuring: reorganization of your business

In today's uncertain economic times, more and more companies are finding themselves in unfamiliar, and unwanted, positions. Many business owners are hoping recovery is just around the corner; however, proactive measures are often required to maximize the remaining value of the business. Our team can aid banking institutions with workout situations by implementing internal controls over cash management and performing on-going cash flow modeling for their clients. We can also help business owners avoid having trouble making payments on their debts and avoid the cumbersome and low-value asset liquidation process.

Transaction Experience

Over nearly 40 years, R.L. Hulett & Company has completed hundreds of transactions in a wide variety of industries. Below are some of our representative transactions in the Software and Tech-Enabled Services Sector. Please note that this list is not comprehensive. It is common for sellers and/or buyers to request confidentiality regarding their transactions, and R.L. Hulett & Company respects such requests as a matter of policy.



Sold substantially all of its
assets to



R.L. Hulett
& COMPANY, INC.



Has been acquired by



R.L. Hulett
& COMPANY, INC.



PohlmanUSA

has completed a
recapitalization with



R.L. Hulett
& COMPANY, INC.



Has been acquired by

SPELL CAPITAL

R.L. Hulett
& COMPANY, INC.



Has been acquired by



R.L. Hulett
& COMPANY, INC.



Has acquired



R.L. Hulett
& COMPANY, INC.

Our M&A Deal Leaders



R. Trevor Hulett, CPA
Managing Director
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Mr. Hulett has led M&A transactions in a variety of industries including manufacturing/industrial, software development/IT, business services and value-added distribution for over 15 years. Prior to joining the firm, he held senior level accounting and financial management positions in both public accounting and large corporations. Mr. Hulett began his career as a Certified Public Accountant with MPP&W, a St. Louis-based public accounting firm specializing in middle market companies. He then held various management positions in internal audit and corporate accounting with a Fortune 1000 industrial manufacturing company and also spent nine years with Enterprise Rent-A-Car Company as a department manager in the Corporate Accounting group. Mr. Hulett holds his Series 62, 63 and 79 securities registration. Mr. Hulett earned a Bachelor's Degree in Accounting from the University of Missouri, Columbia.



Robert L. Hulett
Chairman Emeritus
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Mr. Hulett founded the firm in 1981 and has negotiated and completed more than 200 transactions throughout his career. He began his career as a Certified Public Accountant and practiced with Peat, Marwick, Mitchell & Co. in St. Louis as an Audit Manager and in New York as the Director of Training for Private Business. Mr. Hulett has also served as Chief Executive & Board Member for various middle market companies. As an educator, he was an adjunct professor at New York University and a tenured faculty member at Lindenwood University in St. Louis. He conducted training sessions for middle market CPA firms throughout the country for more than ten years. Mr. Hulett earned his BS/BA Cum Laude in Accounting from the University of Missouri-Columbia, and an MBA from Lindenwood University.



David T. Vass
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Mr. Vass has over 30 years of business management experience including more than 10 years as President of a highly successful consumer products manufacturing company with revenues exceeding \$25 million. During this time, he not only reversed a declining sales and earnings trend, but increased both sales and operating income over 100%. In addition, he has spent over 20 years at the executive level of Vice President of Sales and Business Development. Mr. Vass also has experience in a number of other industry niches including consumer products, commercial furniture and fixtures and metal recycling. He holds a Bachelor's Degree in Economics from DePauw University and an MBA from the University of Michigan.

Our M&A Deal Leaders



Ron Litton
Director
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Mr. Litton has been advising business owners in mergers and acquisitions since 2013. His primary industry focus areas have included industrials, paper and packaging, distribution, energy, promotional products and direct to consumer e-commerce. Prior to 2013, Mr. Litton held a variety of C-level roles with several companies in the paper and packaging industry including Unisource, Maverick Paper, Universal Graphics and Sabin Robbins. He has bought and sold a number of businesses, advised in the sale of family/founder owned businesses, and advised in start-ups and turnaround situations for banks, owners, and private equity firms. He enjoys working with owners that want to sell or transition out of their businesses. Ron covers the Kansas City and surrounding markets for the firm. He graduated from Central Missouri State University with a BS in Graphic Arts Technology and Management.



Max Leible
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Mr. Leible is an experienced M&A advisor having spent years in both investment banking and due diligence transaction advisory services. Prior to joining the firm, Mr. Leible served as a Management Consultant at Aon, plc (NYSE: AON) within the M&A and Transaction Solutions practice providing due diligence services for private equity and corporate clients. Before that, Max worked at Douglas Group, as an Investment Banking Associate. Mr. Leible received a Bachelor of Science in Accounting and Bachelor of Science in Business Administration with an Emphasis in Finance from the University of Missouri-St. Louis and graduated magna cum laude for each major. During his time at the University of Missouri-St. Louis, Max co-founded the Finance Club, an organization at the university, and represented the university as a participant in the Chartered Financial Analyst Research Challenge.



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About R.L. Hulett & Company

R.L. Hulett & Company is a middle-market investment bank based in St. Louis, Missouri providing financial advisory and M&A advisory services to middle market companies. Since its founding in 1981, the firm has advised in over 230 transactions in a variety of industries including manufacturing, distribution, business services, food & beverage, transportation & logistics, health care and tech-enabled services. The firm has an experienced team of M&A advisors consisting of former business owners, seasoned corporate executives, professional service firm partners, CPAs and MBAs. Our ability to deliver customized solutions to meet or exceed our clients' expectations is what sets us apart from our competitors.

Industry Sectors Covered:



Industrial



Transportation and Logistics



Food & Beverage



Business Services



Software/Tech-enabled Services



Healthcare

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