



Software M&A Update

Q2 2022

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Trevor Hulett

Managing Director
thulett@rlhulett.com

Ryan Hartman

Analyst
rhartman@rlhulett.com

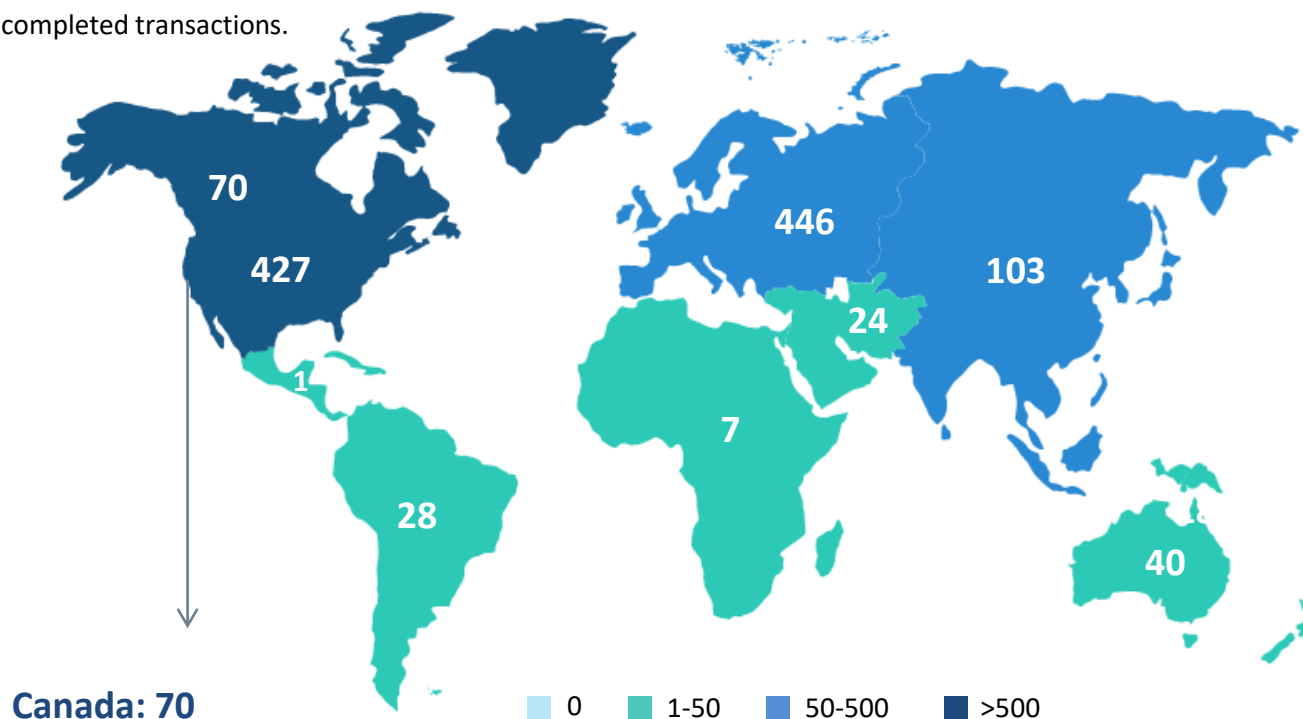
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REPORT HIGHLIGHTS

- M&A deal volume decreased 13.5% to 1,146 completed transactions in Q2 2022 from 1,325 deals in Q1 2022 and decreased slightly from 1,150 completed transactions in Q2 of the prior year.
- Total capital invested in M&A transactions in Q2 2022 decreased 40.5% to \$66B from \$111B in Q1 2022, and 14.3% from \$77B in Q2 of the prior year.
- Through 1H 2022, PE investors contributed 41.2% of total capital invested, up from 33.4% in 2021, and strategic buyers accounted for 58.8%, down from 66.6% in 2021.
- Europe was the most active region in Q2 2022 with 446 deals. Most notably in Europe was Permira's acquisition of Mimecast through a \$5.8B LBO.
- The S&P North American Technology Software Index declined 22.1% during the quarter and underperformed the S&P 500, which declined 16.7% over the same period.

Global Deal Analytics

Of the 1,146 deals transacted globally in the Software & Tech-enabled services sector in Q2 2022, Europe was the most active market with 446 completed transactions followed by North America with 427. Another notable European deal (in addition to Mimecast mentioned on the previous page) was Saudi Arabia's Public Investment Fund's \$1.5 billion LBO of the German developer of gaming portals, ESL Gaming, in April 2022. All other regions combined for a total of 203 completed transactions.



United States Regions: 427

West Coast:	130
Mid Atlantic:	86
Southeast:	57
Great Lakes:	38
Mountain:	38
Other:	78

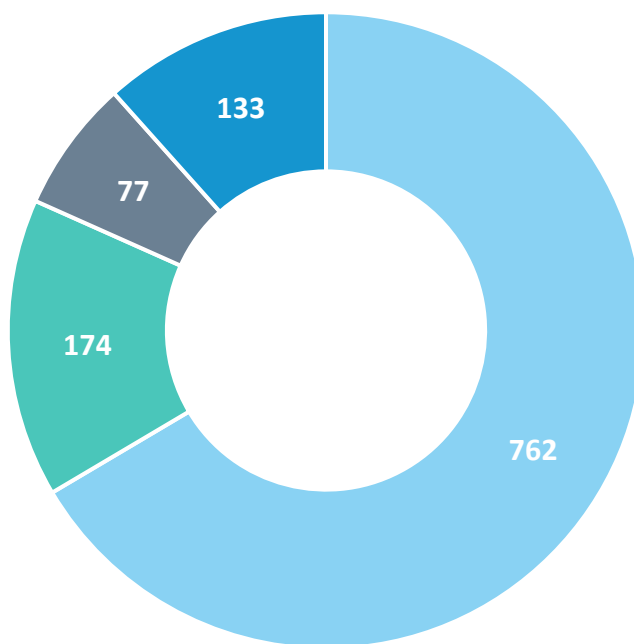
In the North American market, the West Coast region was the most active with 130 closed deals, followed by the Mid Atlantic and Southeast with 86 and 57 closed deals, respectively. The largest deal in the US was the Take-Two's acquisition of Zynga, a developer of social mobile games, for \$12.7B.

Outside of the US in the North America market, 70 transactions closed in Canada in Q2 2022, along with 28 transactions in South America and 1 in Central America.

Global Deal Analytics

Of the 1,146 Software & Tech-enabled services deals in Q2 2022, 762 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 174 deals followed by Network Management and Entertainment, with 133 and 77 closed transactions, respectively.

Deal by Sector



Business/Productivity

 **Bottomline**

 **xandr**

PENSANDO

 **aspentech**

Fintech

 **MFG**
A SHAPEWAYS COMPANY

 **campuslogic**

 **GoldenSource**

 **Sentieo**

Entertainment

 **zynga**

 **NETWORK**
-STUDIOS-

 **napster**

Network Management

 **AREA 1**
SECURITY

 **SecureLink**
an Imprivata company

 **Attivo**
NETWORKS.

 **APPSIAN**
SECURITY

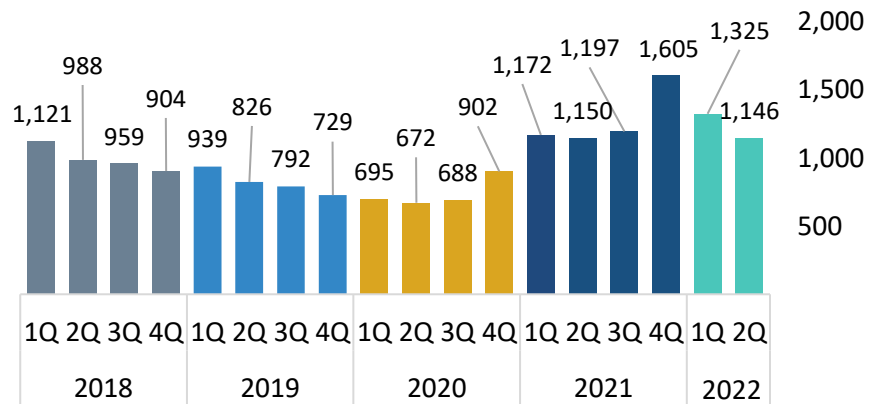
Global Deal Analytics

Deal volume dipped 13.5% in Q2 from the prior quarter and was down 28.6% from the peak in Q4 2021. However, deal volume was comparable to prior year Q2 at 1,146 deals compared to 1,150 in the prior year.

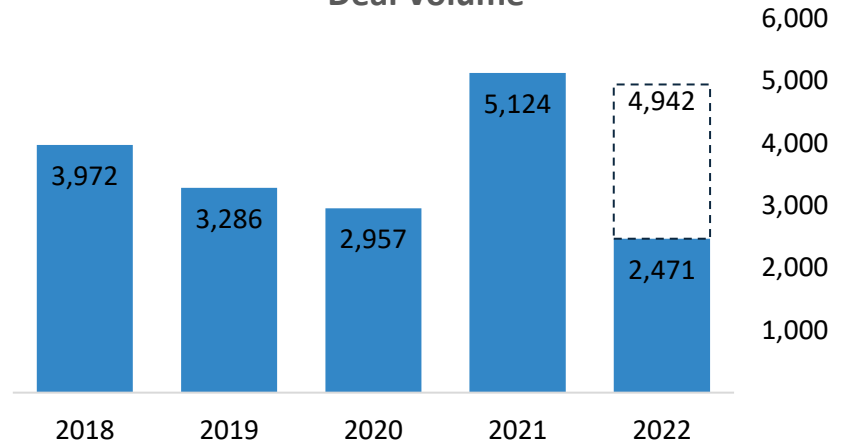
In spite of ongoing supply chain disruptions, rapid inflation, and higher fuel prices, the demand for Software & Tech-enabled services is forecasted to increase slightly in 2022. Despite an increased demand, we anticipate M&A deal volume to decrease in the Software & Tech-enabled services sector by 3.6% to 4,942 deals in 2022 from 5,124 in 2021.

Total capital invested in the Software & Tech-enabled services sector decreased 40.5% to \$66B in Q2 2022 from \$111B in Q1 2022 and 14.3% from \$77B in Q2 of the prior year. This significant decrease from the prior quarter is a function of a 13.5% decrease in overall deal volume, and more specifically a 26.7% drop in deal volume in the large cap market (\$1000MM+). The drop was in large part a result of the Fed increasing the Federal Funds rate which increased the cost to borrow capital.

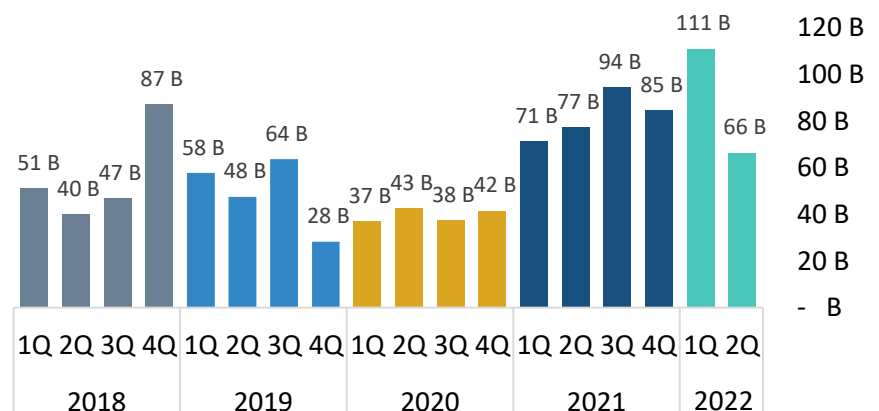
Deal Volume



Deal Volume



Total Capital Invested



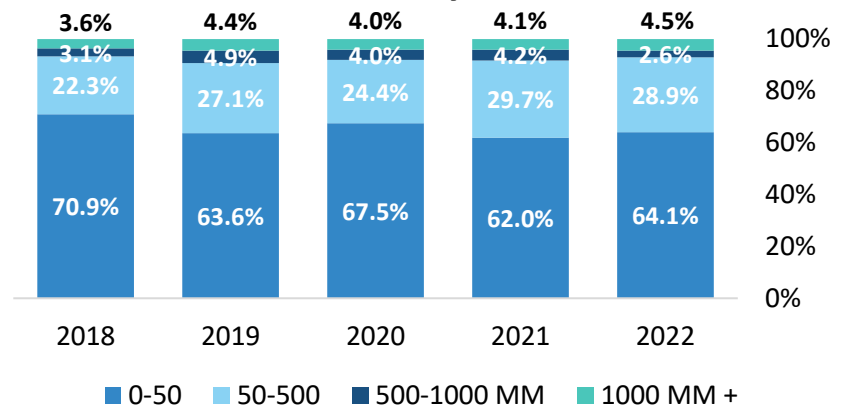
Global Deal Analytics

Deal volume in the middle market (\$50MM - \$500MM) and upper middle market (\$500 - \$1000MM) saw decreases as a % of total volume from 29.7% and 4.2% in FY 2021 to 28.9% and 2.6% in 1H 2022, respectively. On the other hand, we saw increases in the lower middle market (\$0 - \$50MM) and the large cap market (\$1000MM+) from 62.0% and 4.1% in FY 2021 to 64.1% and 4.5% in 1H 2022.

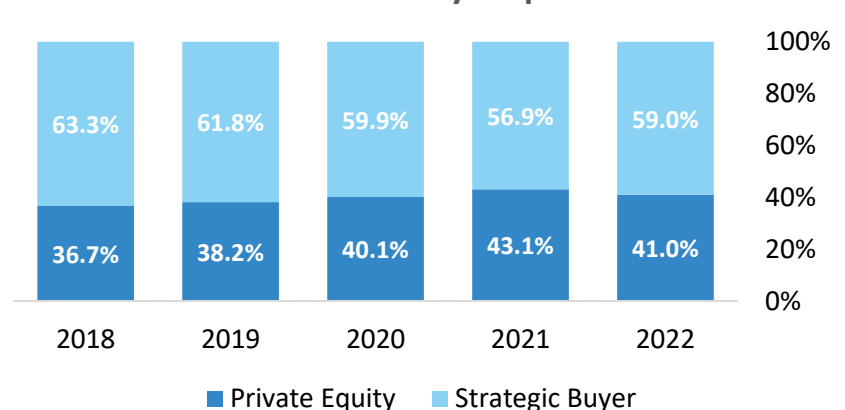
Private equity buyers have pulled back a bit in 1H 2022 to 41.0% of deal volume in the sector compared to 43.1% in the prior year. We had been seeing a steady trend of increasing PE participation from 36.7% in 2018 to 43.1% in 2021 up until a slight reversal in 2022.

Strategic buyers have historically accounted for roughly 56% - 67% of the Total Capital Invested in M&A transactions over the last 5 years. In 1H 2022, we saw an increase in investment capital contributed by PE investors compared to the prior year as their % of total capital invested increased to 41.2% from 33.4% in FY 2021.

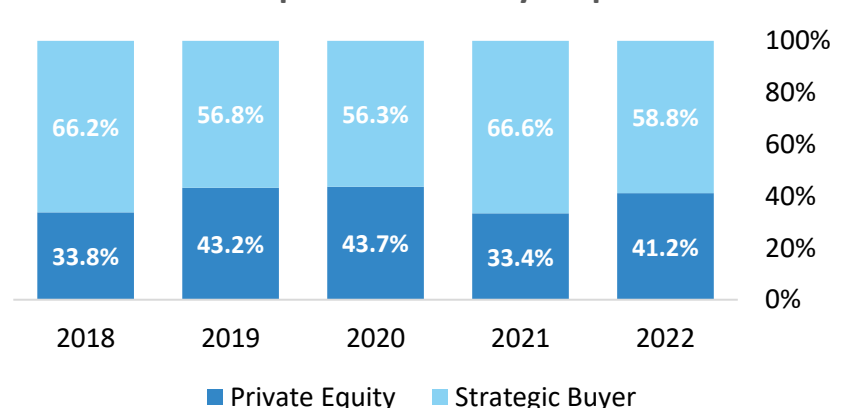
Deal Volume by Deal Size



Deal Volume by Acquirer

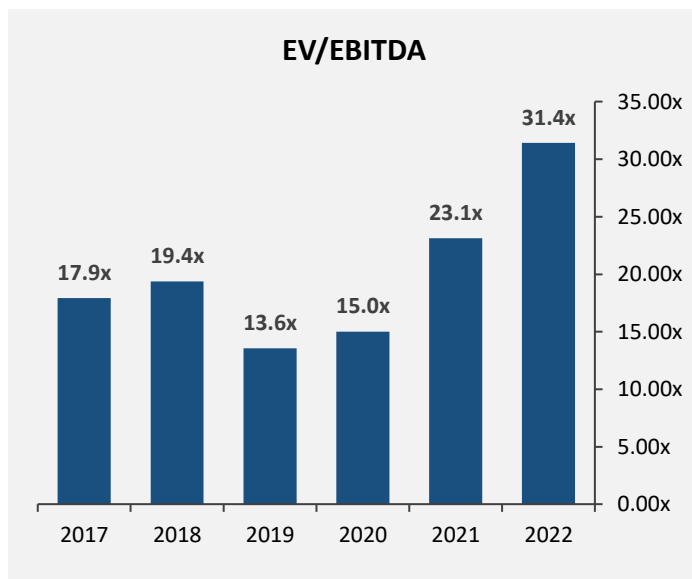
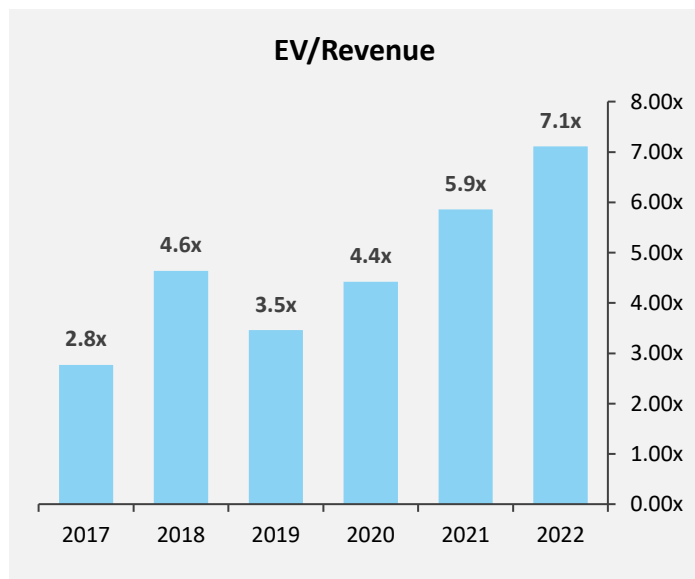


Total Capital Invested by Acquirer

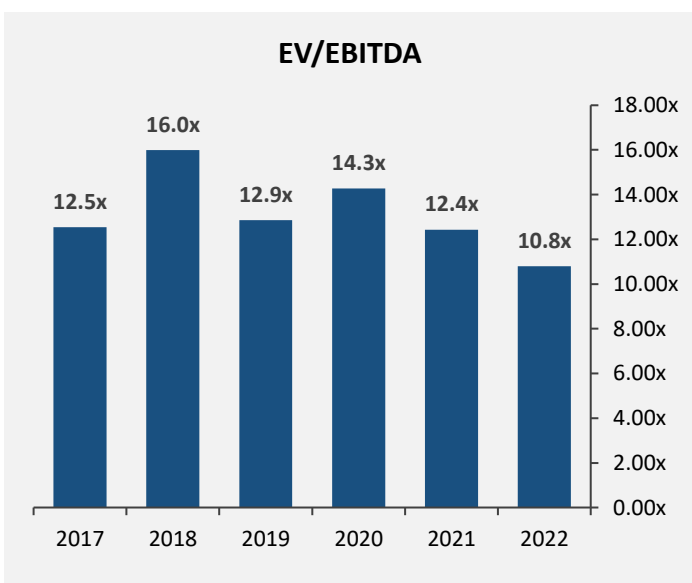
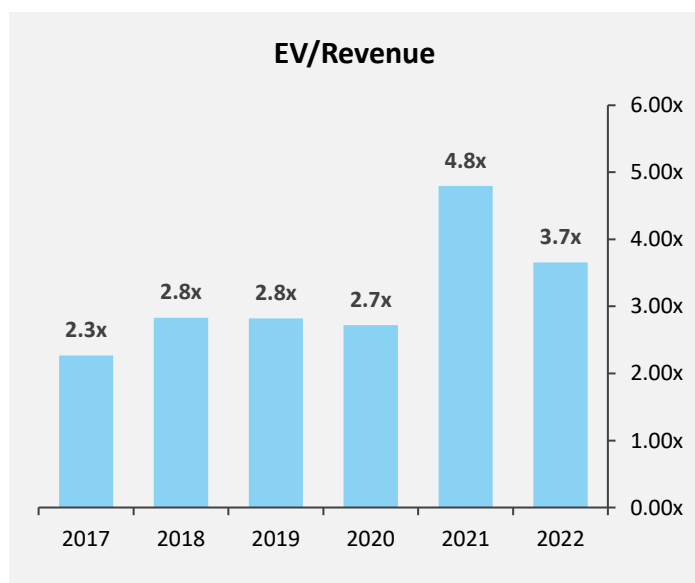


Valuation Multiples

PE Multiples



Strategic Multiples



Largest Deals (Completed)

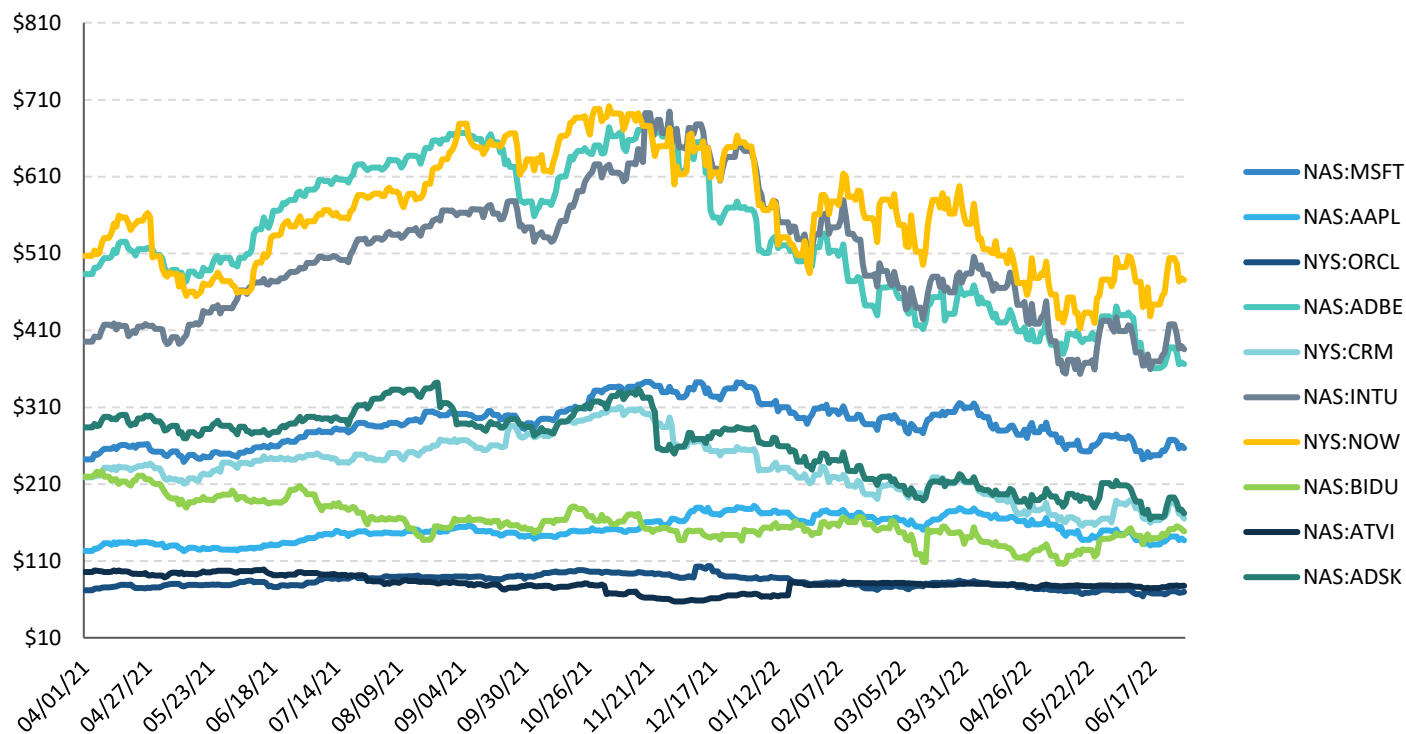
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Business Description
					Revenue	EBITDA	
23-May-2022	Zynga (NAS: ZNGA)	Take-Two Interactive Software (NAS: TTWO)	Merger/Acquisition	12,700.00	4.22x	40.61x	Zynga Inc is a company that develops, markets, and operates social games as live services played on mobile platforms, such as iOS and Android.
21-Jun-2022	Anaplan	Thoma Bravo	Buyout/LBO	10,700.00	16.46x		Anaplan Inc is a United states-based business performance management company through cloud-based services.
16-May-2022	Aspen Technology (NAS: AZPN)	Emerson Electric (NYS: EMR)	Merger/Acquisition	6,000.00	15.33x	35.14x	Aspen Technology is a leading global supplier of software solutions that optimize asset design, operations, and maintenance in complex industrial environments.
17-May-2022	Mimecast	Permira	Buyout/LBO	5,800.00	9.36x	42.84x	Mimecast Ltd is a provider of next generation cloud security and risk management services for email and corporate information.
13-May-2022	Bottomline Technologies	Thoma Bravo	Buyout/LBO	2,600.00	4.9x	80.05x	Bottomline Technologies Inc provides financial oriented solutions.
29-Apr-2022	Veracode	Sixth Street Partners, TA Associates Management	PE Growth/Expansion	2,500.00			Provider of cloud-based application security platform intended to find and fix security-related defects at all points in the software development lifecycle.
27-Apr-2022	SoundHound (NAS: SOUN)	Archimedes Tech SPAC Partners	Reverse Merger	2,067.00			Innovator of conversational intelligence, offering an independent Voice AI platform that enables businesses across a variety of industries.
07-Jun-2022	Internet Brands	Kohlberg Kravis Roberts (NYS: KKR), Temasek Holdings, Warburg Pincus	PE Growth/Expansion	2,000.00			Operator of online media, community and e-commerce websites intended for server message block and enterprise clients.
21-Apr-2022	ESL Gaming	Saudi Arabia's Public Investment Fund, Savvy Gaming Group	Buyout/LBO	1,500.00			Developer and operator of an online gaming portal in based Cologne, Germany.
08-Jun-2022	Superhero	Swyftx	Merger/Acquisition	1,060.44			Developer of an investment platform designed to make investment accessible and understandable for everyone.
07-May-2022	Industrial and Financial Systems	HG Capital	PE Growth/Expansion	1,034.11			Developer of service management, enterprise resource planning and asset management softwares intended for a variety of end-markets.
14-Jun-2022	Betcity	Entain (LON: ENT)	Merger/Acquisition	903.39			Operator of an online casino and sports betting platform located in Amsterdam, Netherlands.
26-May-2022	Streamlit	Snowflake (NYS: SNOW)(Benoit Dageville)	Merger/Acquisition	800.00			Developer of an open-source application framework designed to offer the fastest way to build and deploy data apps.
14-Apr-2022	Coda Payments	Breyer Capital, GIC, Insight Partners(AJ Malhotra), Smash Ventures(Evan Richter)	PE Growth/Expansion	690.00			Developer of secure, cross-border monetization and distribution solutions designed to help digital content providers monetize their products and services.
01-Apr-2022	Finxact	Fiserv (NAS: FISV)	Merger/Acquisition	650.00			Developer of a cloud-based banking platform designed to provide a solution to banks and credit unions who want to own their stack and data.
29-Jun-2022	Avaya (China)		PE Growth/Expansion	600.00			Provider of real-time enterprise collaboration and communication designed for businesses.
20-Apr-2022	StreamSets	Software (FRA: SOW)	Merger/Acquisition	584.00			Developer of a dataops platform designed to help engineers build and run smart data pipelines.
06-May-2022	Zimperium	Liberty Strategic Capital	Buyout/LBO	525.00			Developer of a mobile threat defense platform designed to detect and protect organizations from mobile cyberattacks in real-time.
01-Jun-2022	Utimaco	SGT German Private Equity	Buyout/LBO	449.39			Developer of cloud-based hardware security appliances and compliance software intended for telecommunication, governments and corporations.

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Zynga Inc, a San Francisco based developer of social games played on mobile platforms, was acquired by Take-Two Interactive Software (NAS: TTWO) for \$12.7B in May 2022. The top gaming segments for Zynga are Social Casinos, Casual, and Invest Express under a freemium model. These will help to diversify and compliment Take Two's existing console and PC franchises through its Rockstar Games and 2K brands.</p>	Merger/ Acquisition
 	<p>Anaplan, a San Francisco based B2B performance management company, was acquired by Thoma Bravo through a \$10.7B take-private LBO in June 2022. The company offers highly customizable cloud-based business planning and performance management platforms. Blackstone, Owl Rock, Apollo Global, and Golub Capital provided debt financing for the deal.</p>	Take-Private LBO
 	<p>On May 16, 2022, Aspen Technology was acquired by Emerson Electric (NYS: EMR) for \$6.0B. Aspentech is a Bedford, Massachusetts based supplier of software solutions for optimizing asset design, operations, and maintenance. The company's Aspen One platform helps improve process-oriented plant efficiency in complex industrial environments.</p>	Merger/ Acquisition
  	<p>Veracode, a Burlington, Massachusetts based provider of cloud-based application security, received a \$2.5B growth equity investment from Sixth Street and TA Associates on April 29, 2022. Deutsche Bank and Audax Group provided debt financing to support the transaction.</p>	PE Growth/ Expansion

Public Comps

Stock Price

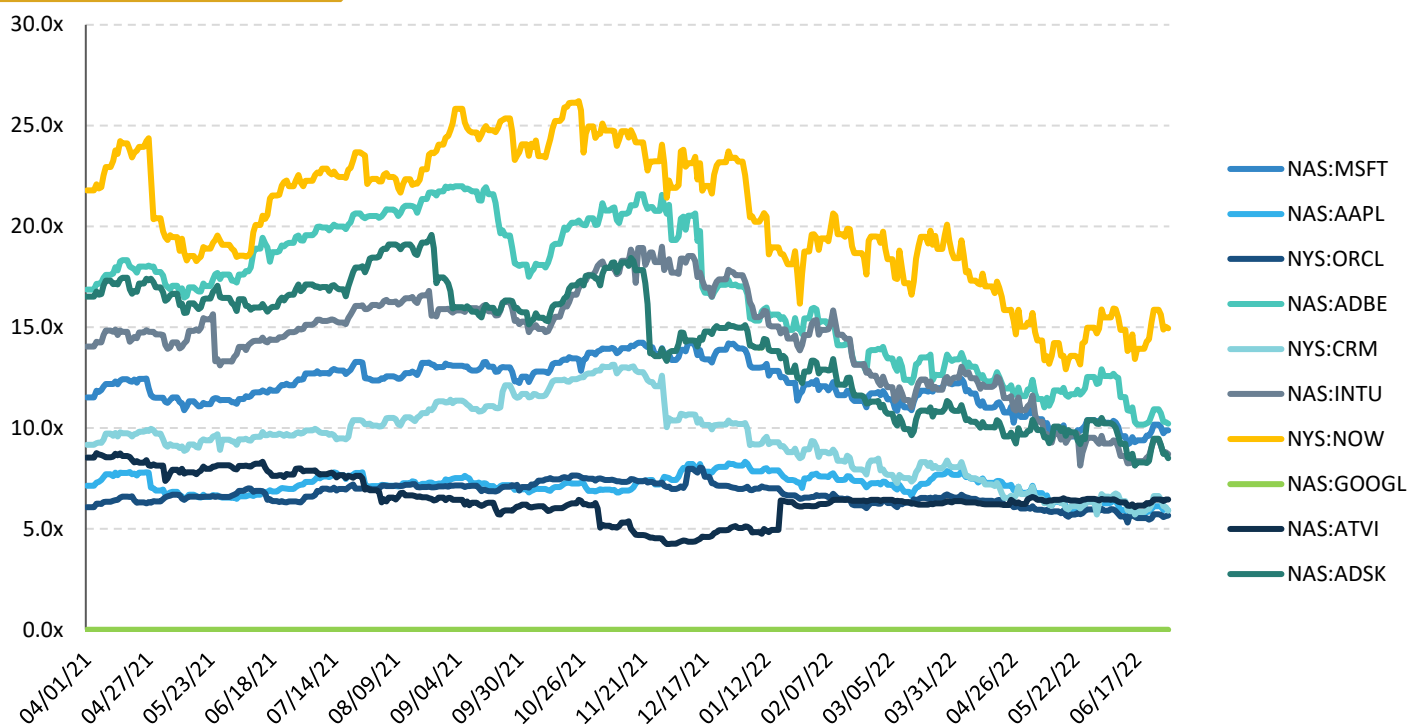


Financial & Valuation

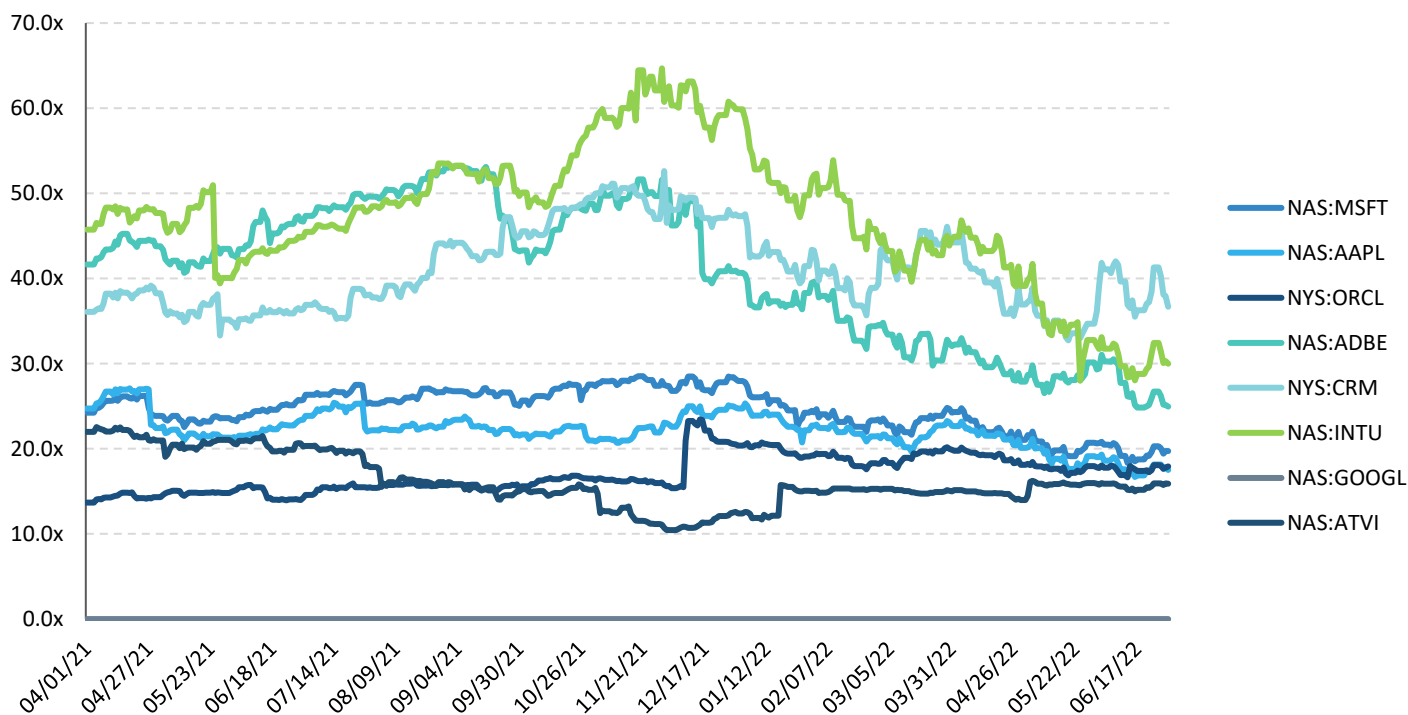
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E	20A	21A	22E
	Microsoft	NAS:MSFT	257	1,946,493	61,283	11.0x	13.9x	12.5x	23.4x	27.9x	25.3x	13%	20%	18%	68%	69%	65%	47%	50%	46%
	Apple	NAS:AAPL	137	2,212,838	119,981	8.3x	8.1x	7.8x	29.5x	24.7x	23.7x	6%	33%	2%	38%	42%	41%	28%	33%	32%
	Oracle	NYS:ORCL	70	186,198	75,859	5.7x	7.0x	6.8x	13.0x	20.3x	13.9x	0%	5%	5%	80%	80%	75%	44%	34%	46%
	Adobe Systems	NAS:ADBE	366	171,316	4,658	18.5x	17.0x	15.0x	47.3x	40.7x	30.4x	17%	21%	7%	86%	88%	92%	39%	42%	51%
	Salesforce.com	NYS:CRM	165	164,215	13,985	9.9x	10.2x	8.0x	42.3x	47.3x	25.3x	28%	23%	15%	74%	74%	77%	23%	22%	31%
	Intuit	NAS:INTU	385	108,724	7,345	12.9x	17.6x	14.8x	39.1x	59.9x	39.4x	13%	32%	-5%	83%	82%	77%	33%	29%	35%
	ServiceNow	NYS:NOW	476	95,323	2,207	25.3x	23.2x	17.4x	226.4x	189.8x	54.9x	31%	31%	18%	78%	77%	85%	12%	12%	33%
	Alphabet	NAS:GOOGL	109	N/A	28,421	N/A	N/A	N/A	N/A	N/A	N/A	11%	39%	12%	54%	57%	56%	30%	40%	40%
	Activision Blizzard	NAS:ATVI	78	60,877	3,608	8.9x	5.0x	5.0x	22.7x	12.4x	11.7x	11%	18%	4%	73%	73%	78%	39%	41%	44%
	Autodesk	NAS:ADSK	172	37,362	3,053	18.5x	15.0x	12.3x	99.7x	77.0x	30.3x	17%	15%	11%	91%	91%	93%	19%	19%	39%
Mean						13.2x	13.0x	11.1x	60.4x	55.6x	28.3x	14.6%	23.8%	8.8%	72.5%	73.2%	73.9%	31.4%	32.2%	39.5%
Median						11.0x	13.9x	12.3x	39.1x	40.7x	25.3x	13.2%	22.3%	9.1%	76.3%	75.6%	77.2%	31.5%	33.6%	39.4%

Public Comps

EV/Revenue



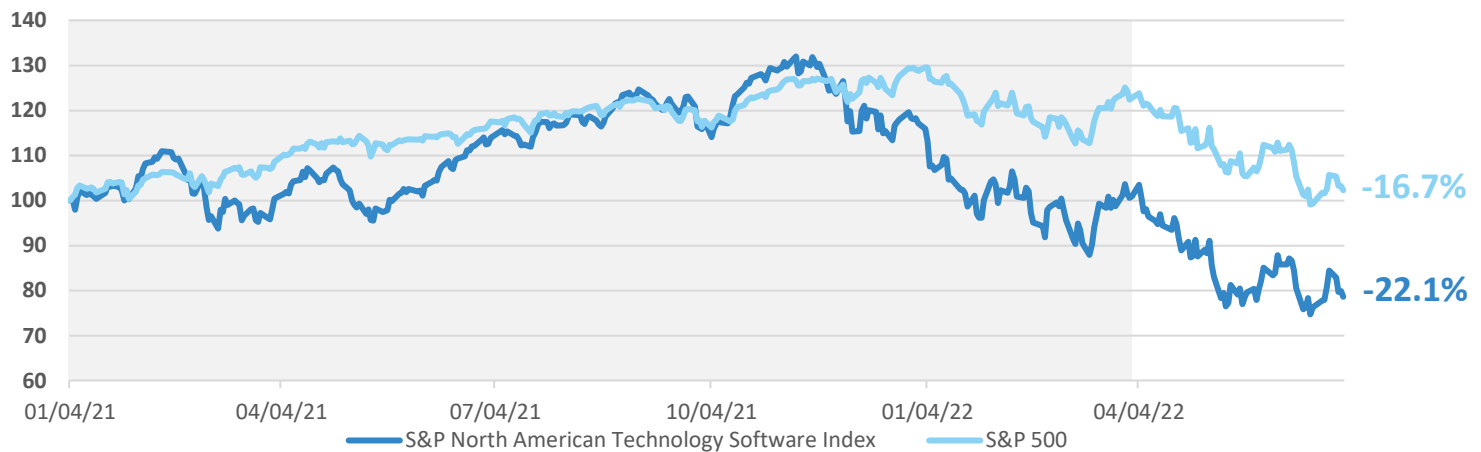
EV/EBITDA



Public Markets

Index Performance

From April 1 – June 30, 2022, the S&P North American Technology Software Index had a -22.1% return compared to a -16.7% return for the S&P 500 Index.

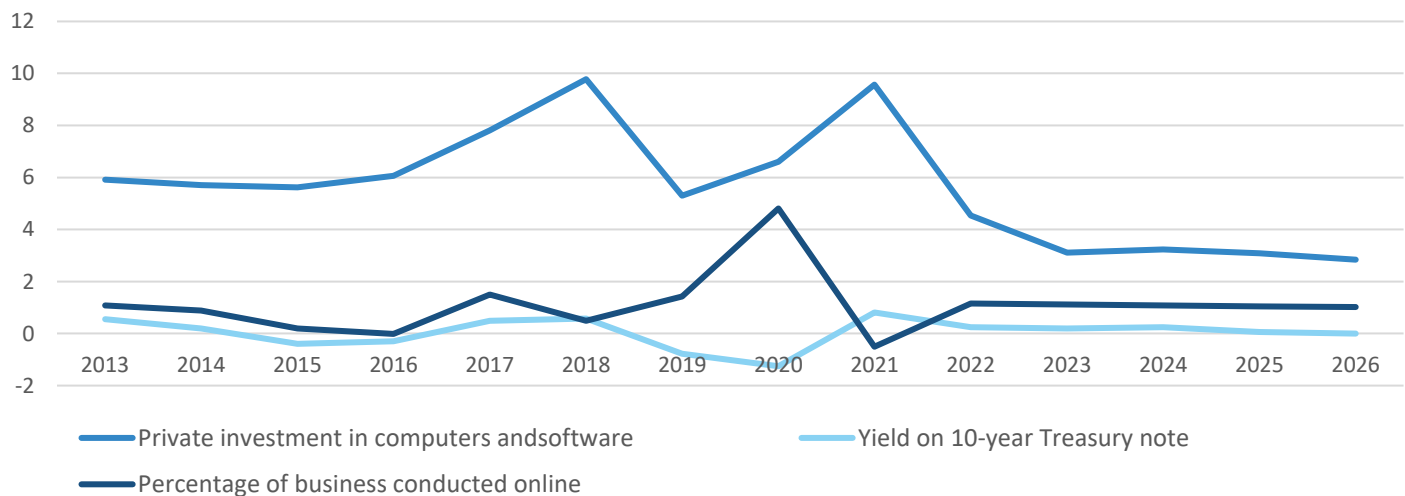


Key External Drivers

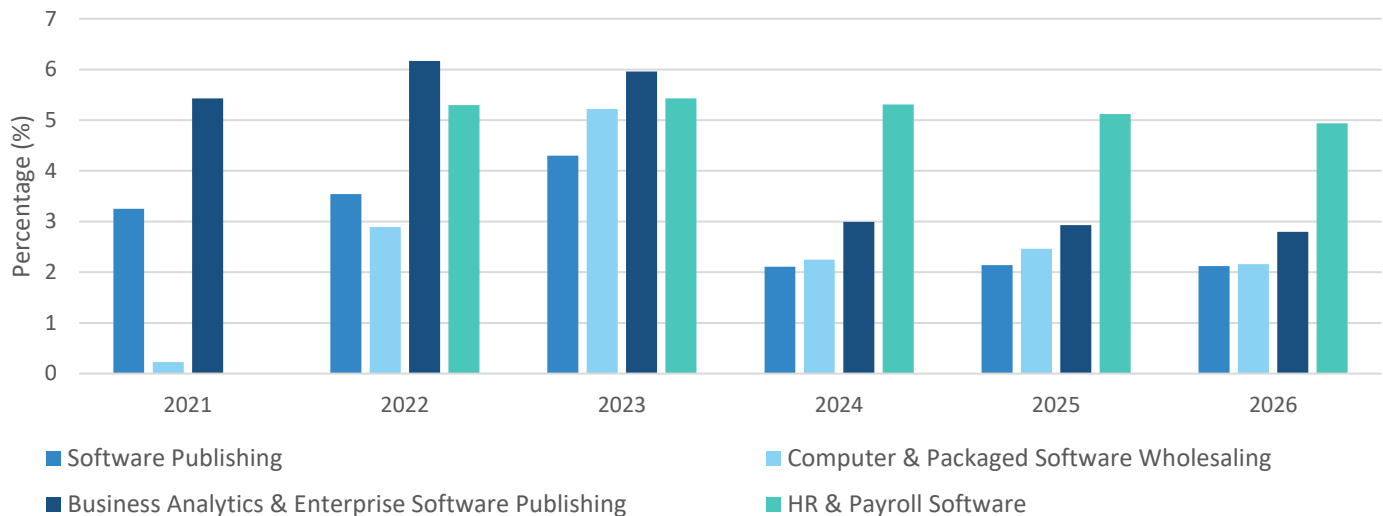
The level of private investment in computers and software reflects the general implementation of information technology within the private sector. When organizations increasingly rely on information technology, potential improvements from using business analytics software increases.

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



SaaS Business Model

Providing software under a subscription-based revenue model, often referred to as software-as-a-service, continues to dominate growth within the \$580B software industry. These business segments increased from 17% of total software revenues in 2016 to 41% in 2022.

Continued E-commerce Strength

While COVID-19 has been a key catalyst in accelerating the transition to online shopping, there is still significant room for growth. As of the last 12 months, e-commerce represents 21% of consumer spending and is now set to grow to \$5.4T in 2026 at a 10% CAGR. Shorter shipping times and higher levels of connectivity will drive business investment to satisfy the expectations of consumers.

Digital Transformation Spending

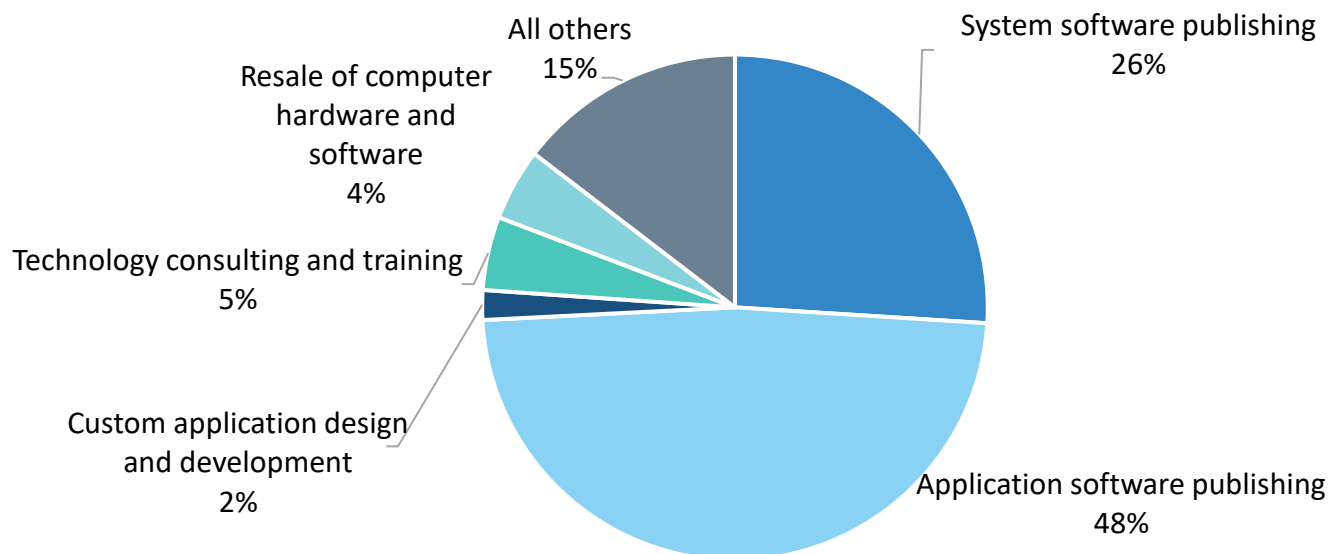
The transformation to digital systems is becoming increasingly crucial for businesses to be competitive against their peers. Spending on software platforms is expected to increase 17.6% from \$1.53T in 2021 to \$1.8T in 2022. One key area of digital transformation is Cloud Integration, which will help businesses to improve coordination between multiple software systems.

Cybersecurity

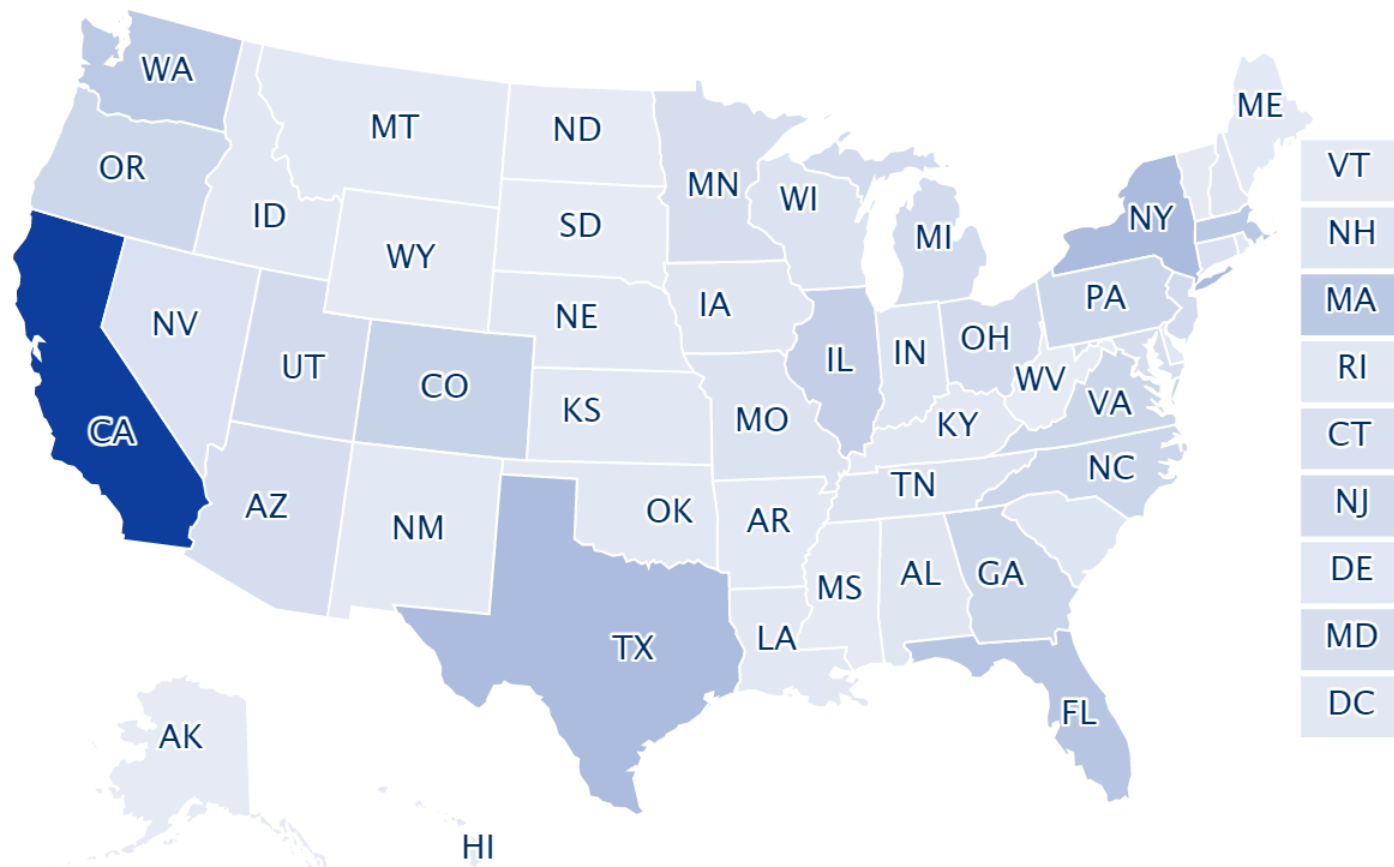
Given the relevance of online data in modern business, the demand for Cybersecurity systems is continuing to increase. There has been a 15% annual increase in costs associated to cybercrime, and this number is expected to grow to \$10.5T dollars in losses by 2025. This is led by a sizable number of breaches in the Healthcare industry, where over 45 million patients suffered from violation of personal data in 2021.

Industry Outlook

Products & Services



Business Locations



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.



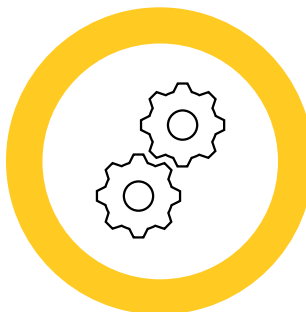
Buy-Side Advisory: Buy a business

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 & 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
(314) 721-0607 x112
thulett@rlhulett.com

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
(314) 721-0607 x134
rlhulett@rlhulett.com

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
Director
(314) 721-0607 x115
dvass@rlhulett.com

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

(816) 810-0799

rlitton@rlhulett.com

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.



Ryan Hartman

Analyst

(314) 721-8027

rhartman@rlhulett.com

Ryan joined R.L. Hulett & Company in 2021 and provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. Ryan graduated with a Bachelor of Science in Management Degree with a major in finance from The Freeman School of Business, Tulane University. Prior to joining the firm Ryan worked as an equity analyst for Burkenroad reports, an equity research program that produces widely circulated financial reports on small- to medium-sized companies. During his time at Tulane University, Ryan was elected as Vice President of Administration for Tulane's community government, took extensive courses in Investment Banking M&A transactions, and volunteered as a data analyst for American Red Cross.



Lynda Hulett

Marketing

(314) 721-0607 x 104

lhulett@rlhulett.com

Lynda Hulett leads the firm's marketing, administrative and communication efforts. She maintains the firm's proprietary CRM database, manages outbound firm communications and provides administrative support to senior deal managers. Prior to joining R.L. Hulett, Lynda spent the previous ten years in various marketing and administrative functions. Most recently, she worked as a client liaison providing administrative support for a CPA firm. Prior to that, she was employed by Moneta Group, a financial services advisory firm, where she provided marketing and administrative support to the client managers. Lynda graduated from the University of Missouri – Columbia, receiving her business degree with an emphasis in Marketing.

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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