



Software & Tech-Enabled Services M&A Update

Q4 2022

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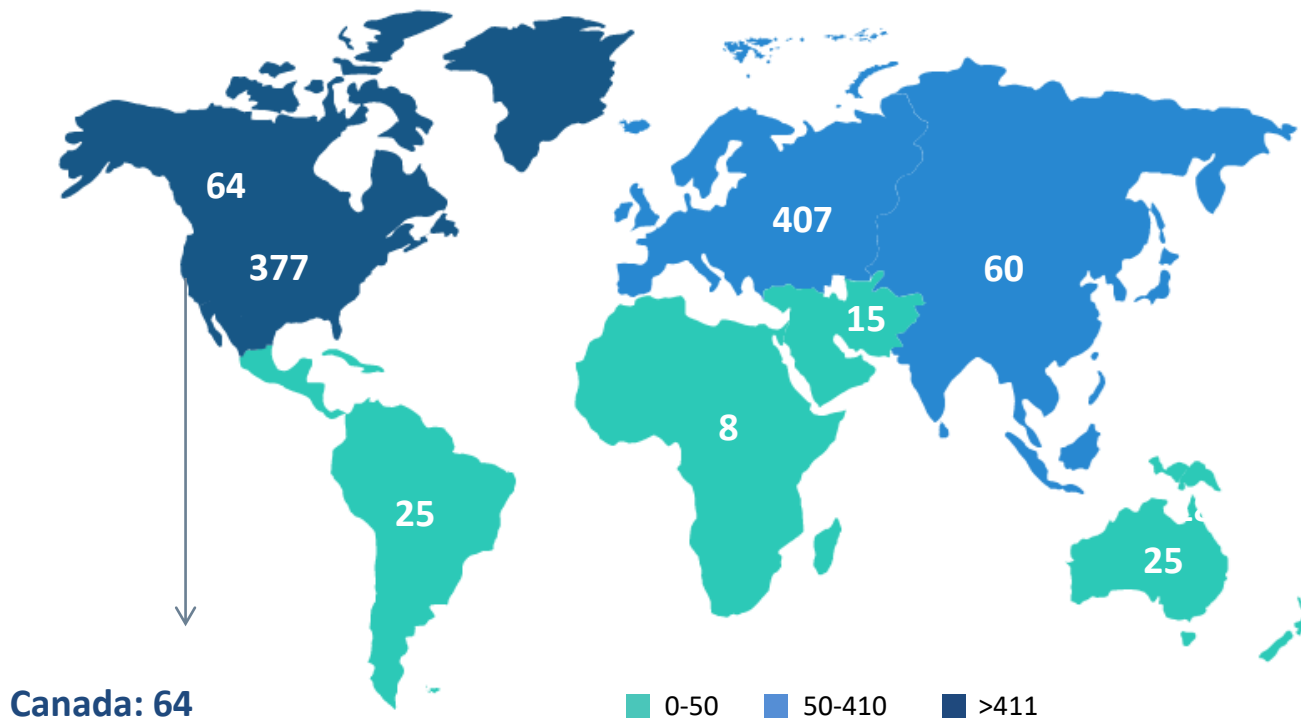
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REPORT HIGHLIGHTS

- M&A deal volume decreased 18.1% to 981 completed transactions in Q4 2022 from 1,198 deals in Q3 2022 and decreased 38.9% from 1,605 in Q4 of the prior year.
- Total capital invested in M&A transactions in Q4 2022 decreased 12.7% to \$89B from \$102B in Q3 2022 but increased 4.7% from \$85B in Q4 of the prior year.
- In 2022, PE investors contributed 54.8% of total capital invested in M&A deals, which was up from 33.4% in 2021.
- North America was the most active region in Q4 2022 with 441 deals. Most notably in North America was Elon Musk's \$44 billion acquisition of Twitter in October 2022.
- The S&P North American Technology Software Index declined 0.9% during the quarter and underperformed the S&P 500, which increased 4.4% over the same period.

Global Deal Analytics

Of the 981 deals transacted globally in the Software & Tech-enabled services sector in Q4 2022, North America was the most active market with 441 completed transactions followed by Europe with 407. A notable European deal was Entain's \$868 million acquisition of the Dutch operator of an online casino and sports betting platform, Betcity, in December 2022. All other regions combined for a total of 133 completed transactions.



United States Regions: 377

West Coast:	106
Mid Atlantic:	84
Southeast:	55
Great Lakes:	39
Mountain:	30
Other:	63

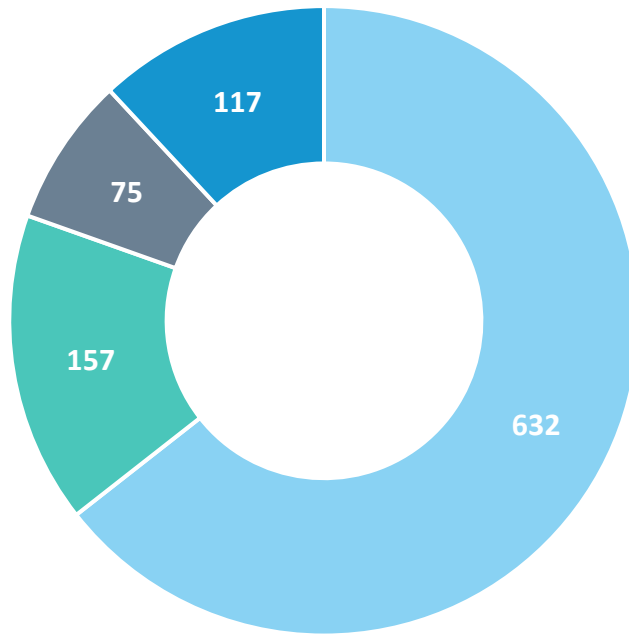
In the North American market, the West Coast region was the most active with 106 closed deals, followed by the Mid Atlantic and Southeast with 84 and 55 closed deals, respectively. Another notable transaction in North America, aside from the Twitter acquisition mentioned on the previous page, was Hellman & Friedman's \$10.2 billion acquisition of a San Francisco provider of software solutions, Zendesk, in October 2022. The great Lakes and Mountain regions had 39 and 30 closed deals, respectively. All other regions combined for a total of 63 completed transactions.

Outside of the US in the Americas market, 64 transactions closed in Canada in Q4 2022, along with 25 transactions in South America.

Global Deal Analytics

Of the 981 Software & Tech-enabled services deals in Q4 2022, 632 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 157 deals followed by Network Management and Entertainment, with 117 and 75 closed transactions, respectively.

Deal by Sector



Business/Productivity

zendesk

ironSource

frontline education

PERFECT

Fintech

Avalara

billtrust

CSI

TaxAct

Entertainment



BETCITY.NL

SuperSport

PLAY MAGNUS GROUP OF COMPANIES

Network Management

WINDRVR

ASTRA TECH

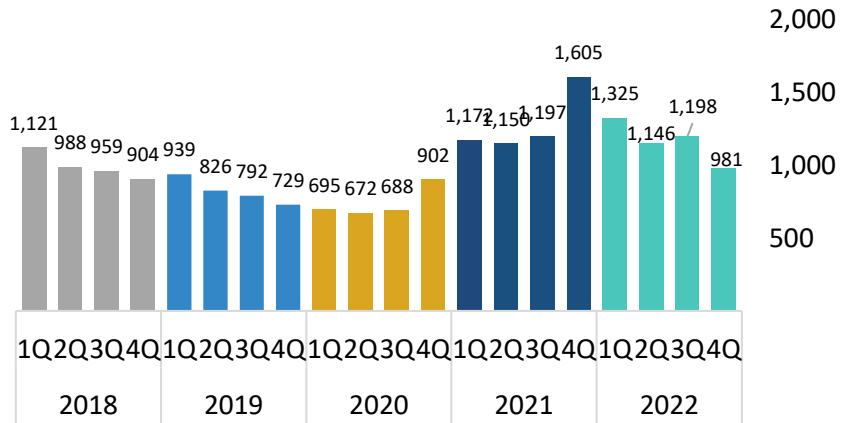
outsystems

MAVENIR

Global Deal Analytics

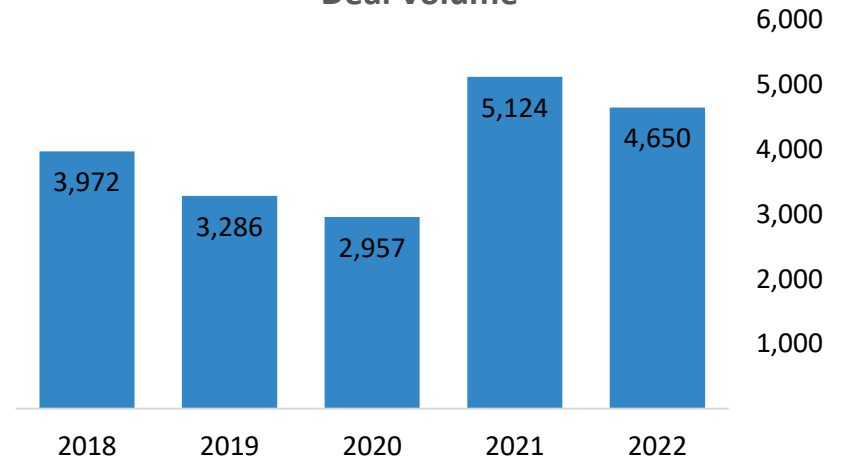
Deal volume in the Software & Tech-enabled services sector decreased to 981 transactions in Q4, down 18.1% from 1,198 in Q3 and 38.9% from 1,605 deals in Q4 of the prior year. Q4 2022 marks the lowest deal volume seen since Q1 of 2021.

Deal Volume



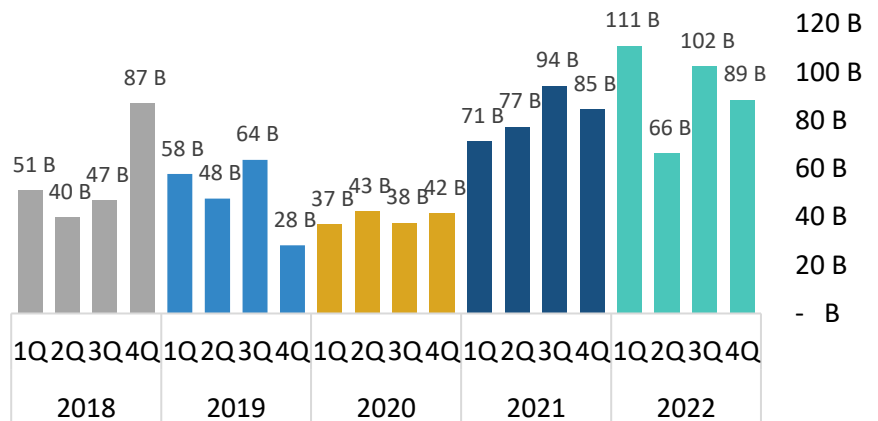
M&A deal volume for the year declined by 9.3% to 4,650 deals from 5,124 in the prior year. This decline is due to a number of factors including rising interest rates/cost of capital and tightening liquidity in the capital markets.

Deal Volume



Total capital invested in M&A transactions in the Software & Tech-enabled services sector decreased in Q4 2022 to \$89B and represented a 12.7% drop from \$102B in Q3. The decline from Q3 was somewhat muted by Elon Musk’s \$44B acquisition of Twitter in October 2022. If we remove this transaction, capital invested declined to \$45B in Q4, down 55.9% from the prior quarter and 47.1% from 85B in Q4 of the prior year.

Total Capital Invested



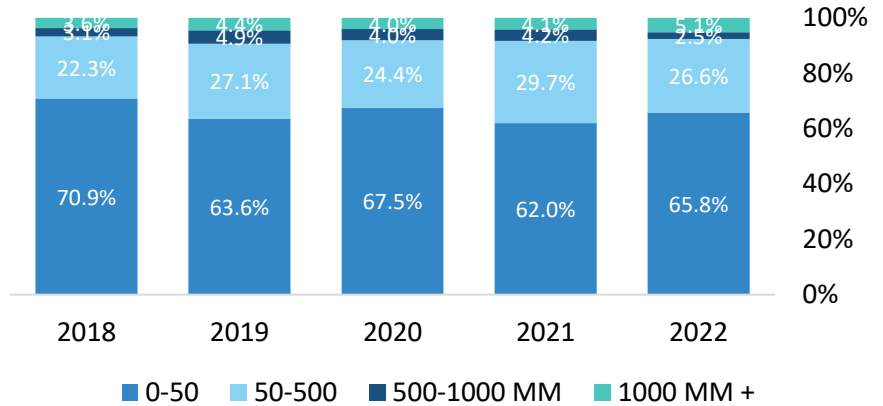
Global Deal Analytics

The middle market (\$50 - \$500MM) and upper middle market (\$500 - \$1000MM) declined from 29.7% and 4.2% to 26.6% and 2.5% in 2022, respectively. However, the lower middle (\$0 - \$50MM) and upper (\$1000MM+) increased from 62.0% and 4.1% to 65.8% and 5.1%, respectively.

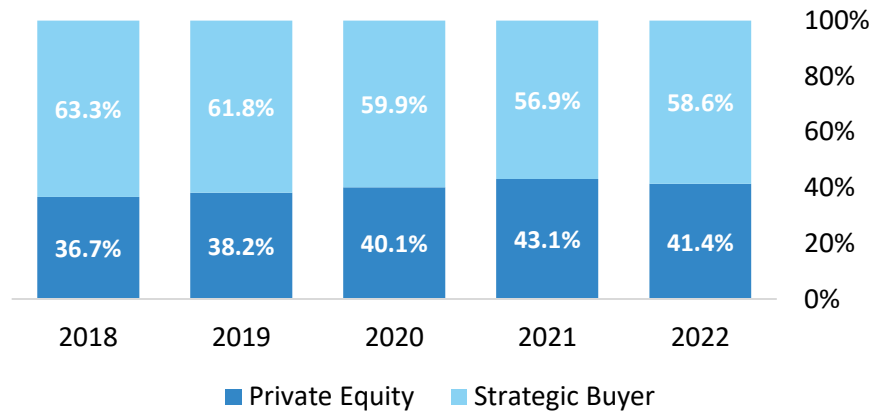
Strategic buyers have historically accounted for the majority of M&A volume in the Software & Tech-enabled services sector. We have seen this level of deal volume fluctuate between 56-64% of the total, compared to PE which has historically represented 36-44% of volume since 2018. In 2022, PE volume as a % of total volume trended slightly below the prior year at 41.4%.

In 2022, PE's share of total capital invested jumped significantly to 54.8% compared to 33.4% in 2021. This is largely attributable to a variety of PE buyers who acquired minority stakes in the Twitter acquisition including Sequoia Capital, Brookfield Asset Management and others along with the Hellman & Friedman's \$10.2B acquisition of Zendesk.

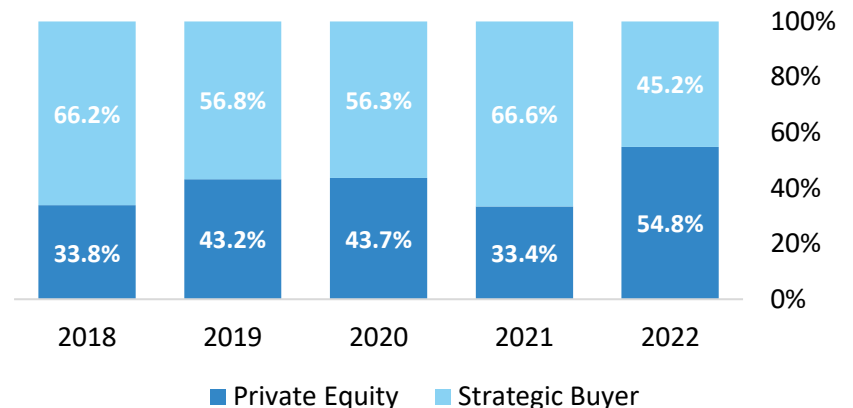
Deal Volume by Deal Size



Deal Volume by Acquirer

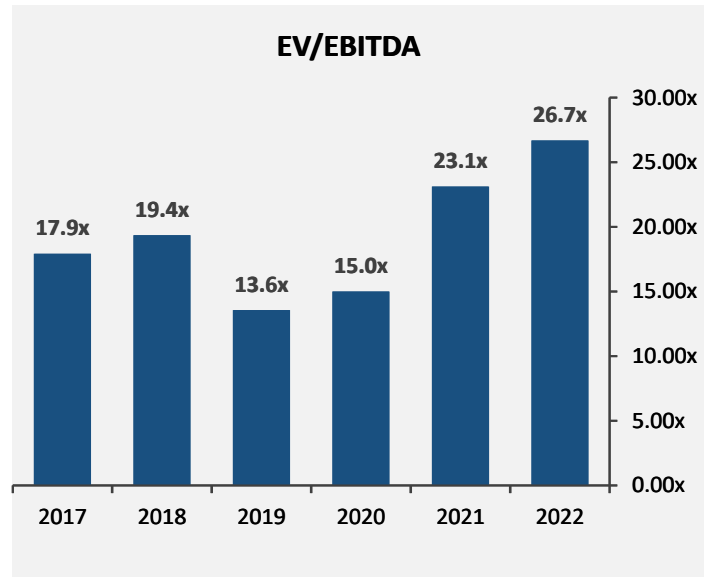
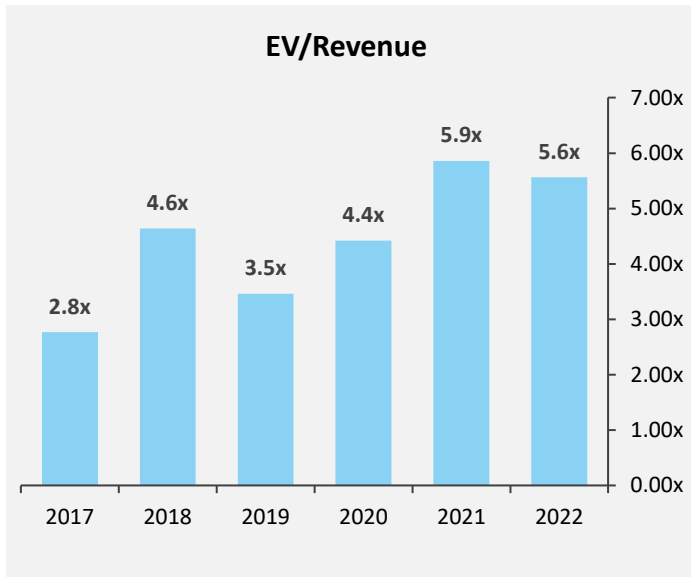


Total Capital Invested by Acquirer

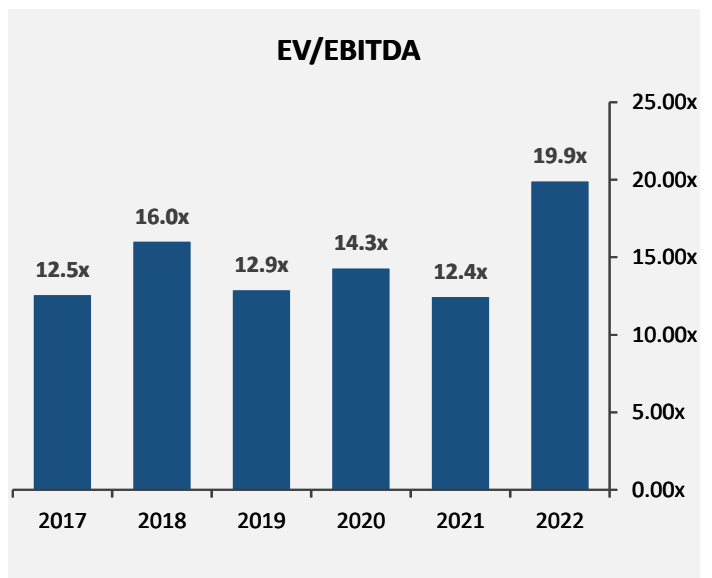
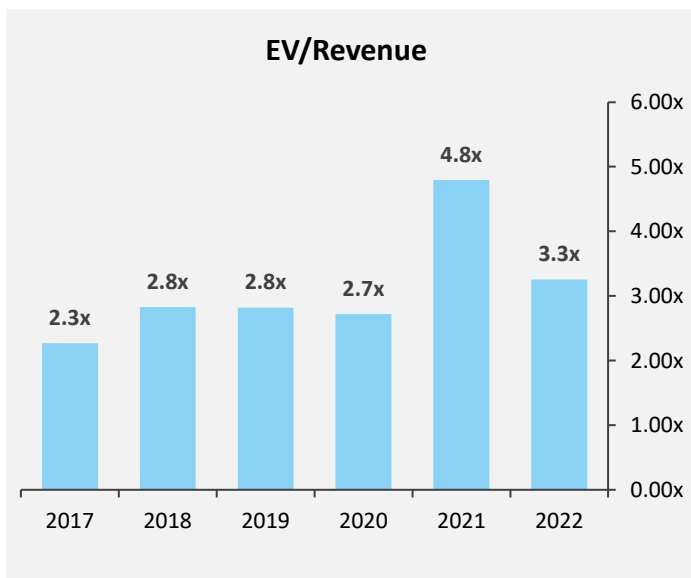


Valuation Multiples

PE Multiples



Strategic Multiples



Largest Deals (Completed)

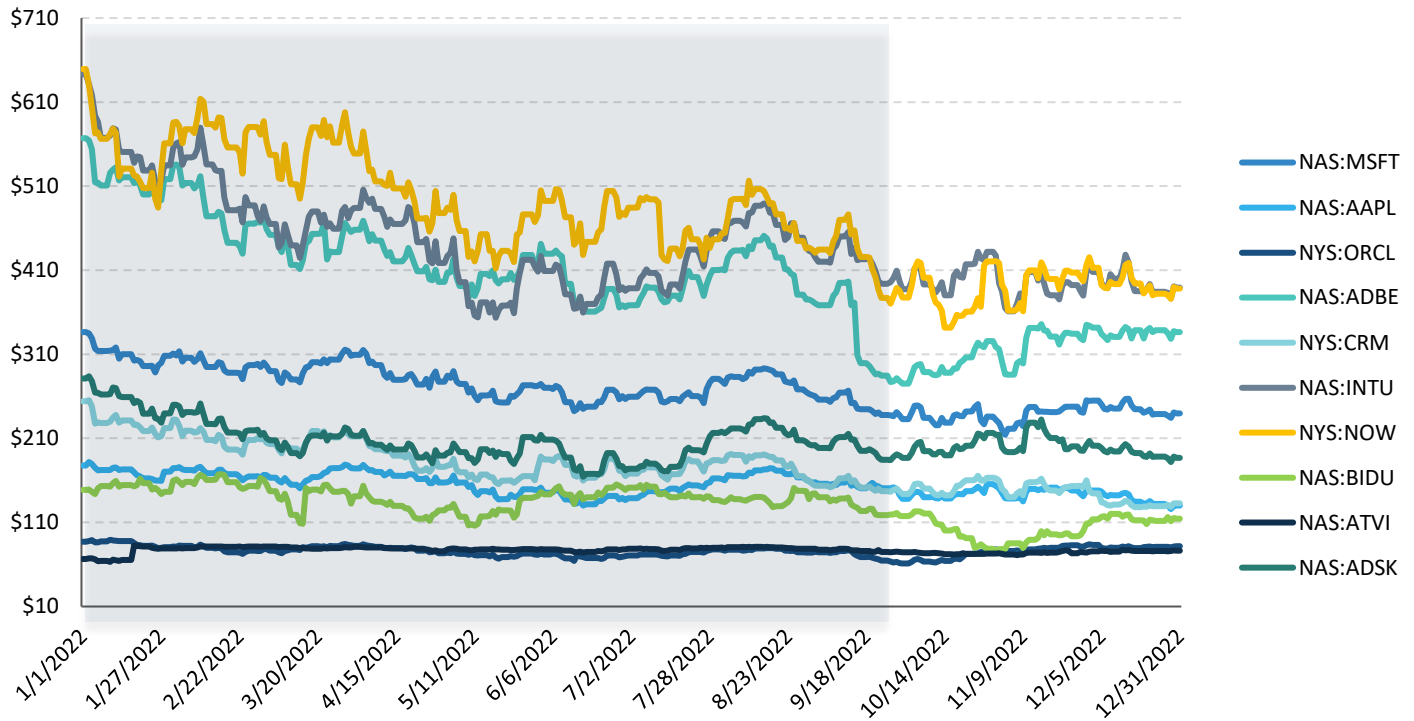
Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
26-Dec-2022	Magic Leap	Saudi Arabia's Public Investment Fund	Buyout/LBO	\$ 450.0			Developer of a virtual computing interface system designed to combine digital and physical lives through computer-generated 3D imagery seamlessly.
23-Dec-2022	Wind River Systems	Aptiv	Merger/Acquisition	3,500.0			Developer of security technology designed to combat complex and rapidly growing internet threats.
23-Dec-2022	Transmit.Live	LionTree	Buyout/LBO	350.0			Operator of a media broadcasting platform designed to simplify the process of live-streaming distribution and promotion.
19-Dec-2022	TaxACT	Cinven	Buyout/LBO	720.0	2.89x		Developer of tax preparation software and web-based services intended to assist with e-filed federal returns.
19-Dec-2022	Astra Tech	Group 42	Corporate	500.0			Developer of a platform intended to connect consumers and businesses.
16-Dec-2022	Billtrust	EQT	Buyout/LBO	1,700.0	8.22x		Provider of cloud-based software and integrated payment processing solutions.
01-Dec-2022	Betcity	Entain	Merger/Acquisition	868.0			Operator of an online casino and sports betting platform located in Amsterdam, Netherlands.
23-Nov-2022	SuperSport	Entain	Merger/Acquisition	696.7		8.70x	Operator of a sports betting and gaming group intended to bring moments of excitement to the lives of betting enthusiasts.
22-Nov-2022	Zendesk	Hellman & Friedman	Buyout/LBO	10,200.0	5.58x		Provider of a portfolio of customer engagement software solutions via single applications or the Sunshine suite.
18-Nov-2022	Grindr	Tiga Acquisition	Reverse Merger	284.0			A social networking app.
16-Nov-2022	Computer Services	Bridgeport Partners	Buyout/LBO	1,600.0	4.70x	15.16x	A customer service company that delivers technology solutions to banks, financial institutions, and other businesses nationwide.
15-Nov-2022	ChannelAdvisor	Insight Partners	Buyout/LBO	664.0	3.31x	29.71x	Provider of Software-as-a-Service solutions for retailers and manufacturers.
10-Nov-2022	MerchantE	OPN Co Ltd	Merger/Acquisition	375.0			Developer of a fintech payments platform.
07-Nov-2022	ironSource	Unity	Merger/Acquisition	4,400.0	5.98x	33.54x	A business platform that enables mobile content creators to prosper within the app economy.
28-Oct-2022	Perfect Corp.	Provident Acquisition	Reverse Merger	230.0			Provider of SaaS AI and AR beauty and fashion tech solutions.
27-Oct-2022	Twitter	Elon Musk	Buyout/LBO	44,000.0	8.14x	72.28x	Developer of a social networking and micro-blogging platform designed for people to have a free and safe space to talk.
19-Oct-2022	Avalara	Vista Equity Partners	Buyout/LBO	8,400.0	8.79x		Provider compliance solutions.
04-Oct-2022	Frontline Education	Roper Technologies	Merger/Acquisition	3,725.0			Developer of cloud-based educational software intended for educators and administrators.
03-Oct-2022	Axis Mining Technology	Orica	Merger/Acquisition	232.9			Developer of specialized geospatial tools and instruments intended for the mining industry, minerals exploration and drilling industries.
01-Oct-2022	OutSystems	Kohlberg Kravis Roberts	PE Growth/Expansion	229.7			Developer of an application and delivery platform designed to integrate custom code.

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Twitter is a developer of a social networking and micro-blogging platform designed for people to have a free and safe space to talk. The company was acquired by Elon Musk and other investors for \$44 billion in October 2022 through a public-to-private LBO transaction. Musk has said the acquisition of Twitter was part of his “grander vision” of creating a super app in Western markets.</p>	<p>LBO</p>
 	<p>Griffin Personnel Group is a provider of background screening, credentialing, and contract security services to the healthcare industry. The company was acquired by DISA Global Solutions via its financial sponsor, Audax Group, through an LBO in October 2022 for an undisclosed amount. The acquisition gives Disa a foothold in the healthcare vertical end market to diversify its historical focus in the industrial, transportation and oil & gas verticals.</p>	<p>LBO</p>
 	<p>In November 2022, Zendesk, a provider of customer engagement software solutions, was acquired by Hellman & Friedman through a \$10.2 billion public-to-private LBO. The acquisition will allow Hellman & Friedman to expand its portfolio of high-quality growth businesses in the software & technology space.</p>	<p>LBO</p>
 	<p>Avalara is a provider of software solutions that help businesses comply with tax requirements for transactions worldwide. The company was acquired by Vista Equity Partners through an \$8.4 billion public-to-private LBO in October 2022. Through this investment the company will become a global cloud compliance platform and provide value to its customers and partners.</p>	<p>LBO</p>

Public Comps

Stock Price

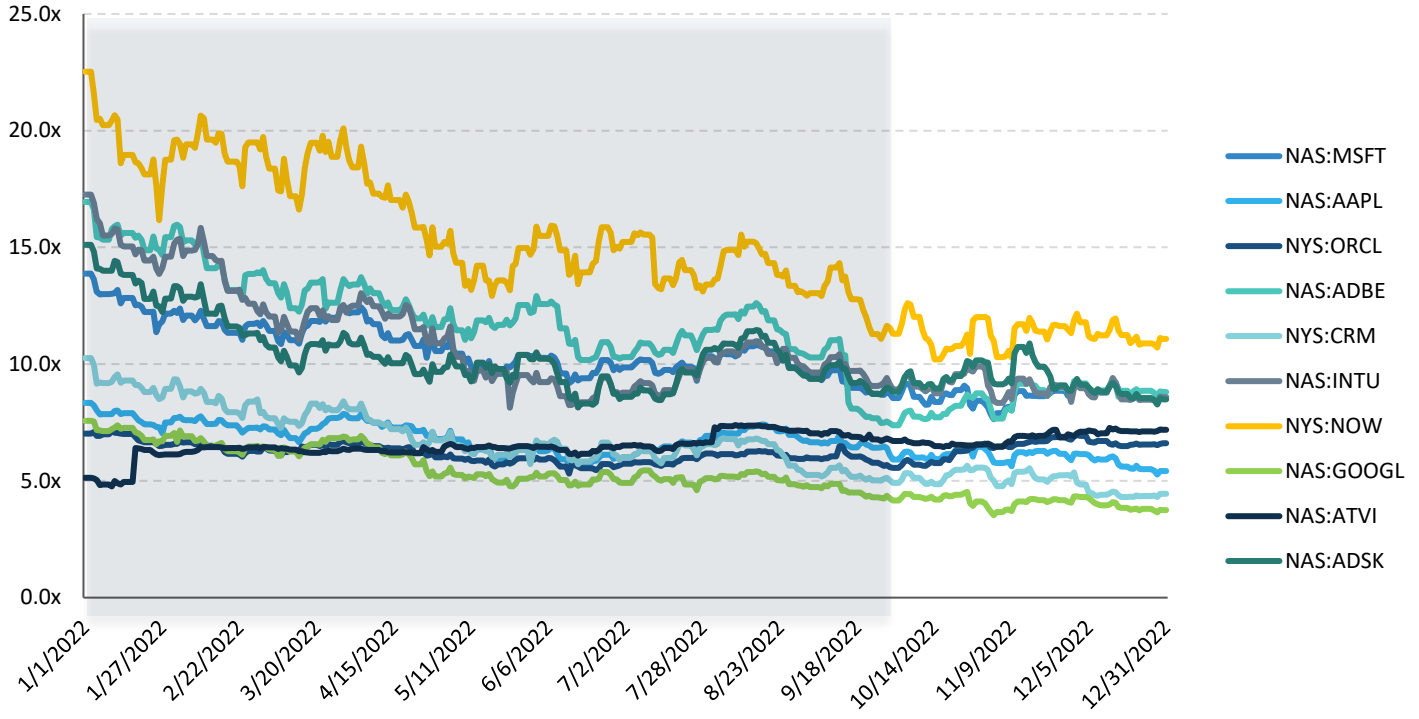


Financial & Valuation

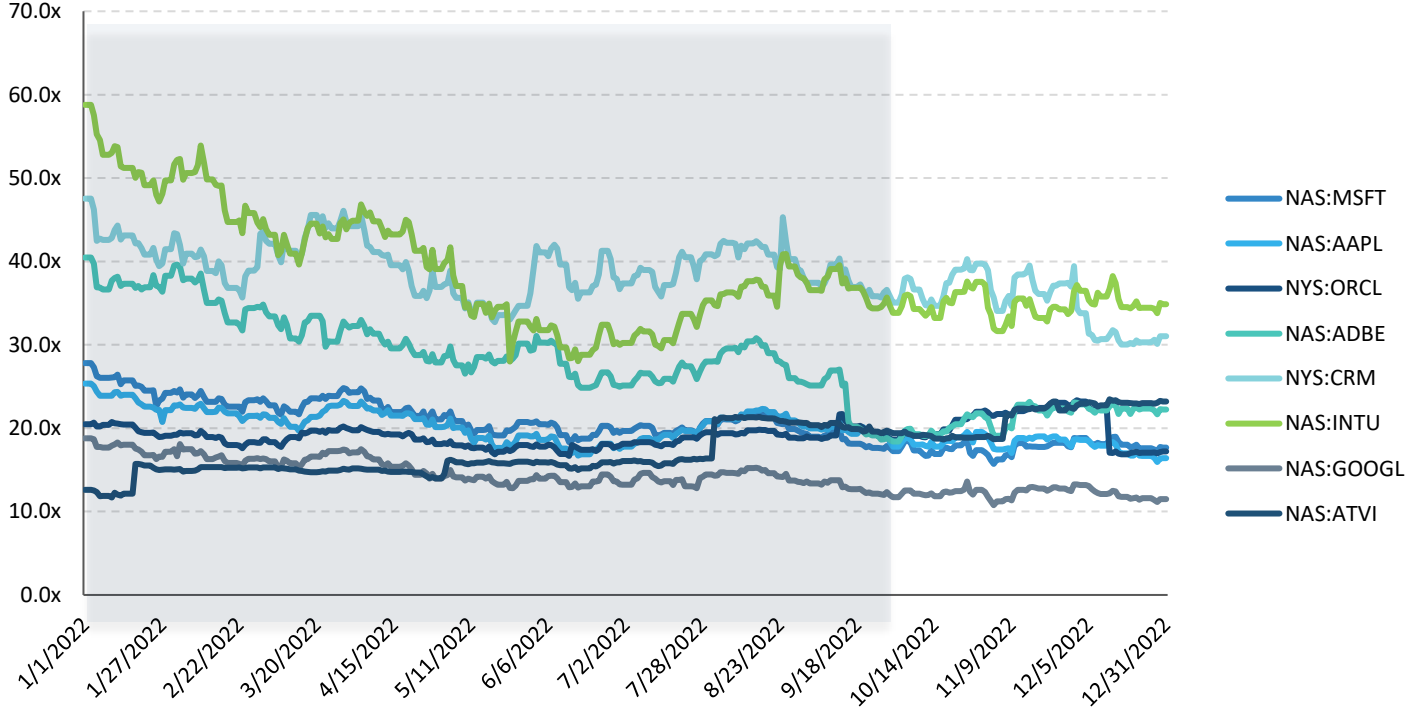
\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			Gross Margin			EBITDA Margin		
						20A	21A	22A	20A	21A	22A	20A	21A	22A	20A	21A	22A	20A	21A	22A
	Microsoft	NAS:MSFT	240	1,787,732	60,282	11.0x	13.9x	12.5x	23.4x	27.9x	25.3x	13%	20%	5%	68%	69%	71%	47%	50%	51%
	Apple	NAS:AAPL	130	2,066,942	120,069	8.3x	8.1x	7.8x	29.5x	24.7x	23.7x	6%	33%	3%	38%	42%	43%	28%	33%	33%
	Oracle	NYS:ORCL	82	220,392	90,919	5.7x	7.0x	6.8x	13.0x	20.3x	13.9x	0%	5%	8%	80%	80%	77%	44%	34%	53%
	Adobe	NAS:ADBE	337	156,453	4,641	18.5x	17.0x	15.0x	47.3x	40.7x	30.4x	17%	21%	12%	86%	88%	89%	39%	42%	49%
	Salesforce	NYS:CRM	133	132,590	13,998	9.9x	10.2x	8.0x	42.3x	47.3x	25.3x	28%	23%	13%	74%	74%	75%	23%	22%	32%
	Intuit	NAS:INTU	389	109,342	7,601	12.9x	17.6x	14.8x	39.1x	59.9x	39.4x	13%	32%	6%	83%	82%	85%	33%	29%	42%
	ServiceNow	NYS:NOW	388	78,431	2,125	25.3x	23.2x	17.4x	226.4x	189.8x	54.9x	31%	31%	28%	78%	77%	81%	12%	12%	32%
	Alphabet	NAS:GOOGL	88	1,145,004	28,922	6.3x	7.6x	6.1x	21.0x	18.7x	15.0x	11%	39%	9%	54%	57%	54%	30%	40%	38%
	Activision Blizzard	NAS:ATVI	77	59,910	3,610	8.9x	5.0x	5.0x	22.7x	12.4x	11.7x	11%	18%	31%	73%	73%	72%	39%	41%	38%
	Autodesk	NAS:ADSK	187	40,320	3,035	18.5x	15.0x	12.3x	99.7x	77.0x	30.3x	17%	15%	12%	91%	91%	89%	19%	19%	38%
	Mean					12.5x	12.5x	10.6x	56.4x	51.9x	27.0x	14.6%	23.8%	12.5%	72.5%	73.2%	73.5%	31.4%	32.3%	40.5%
	Median					10.4x	12.1x	10.2x	34.3x	34.3x	25.3x	13.2%	22.3%	10.3%	76.3%	75.6%	76.0%	31.5%	33.6%	38.1%

Public Comps

EV/Revenue



EV/EBITDA

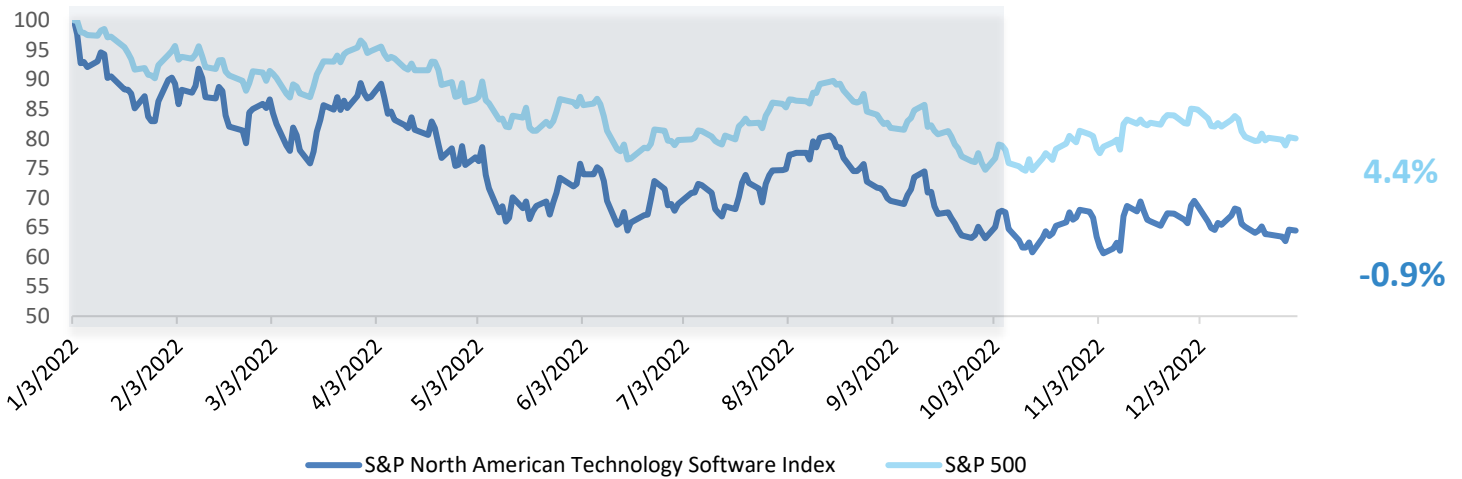


Source: PitchBook Data

Public Markets

Index Performance

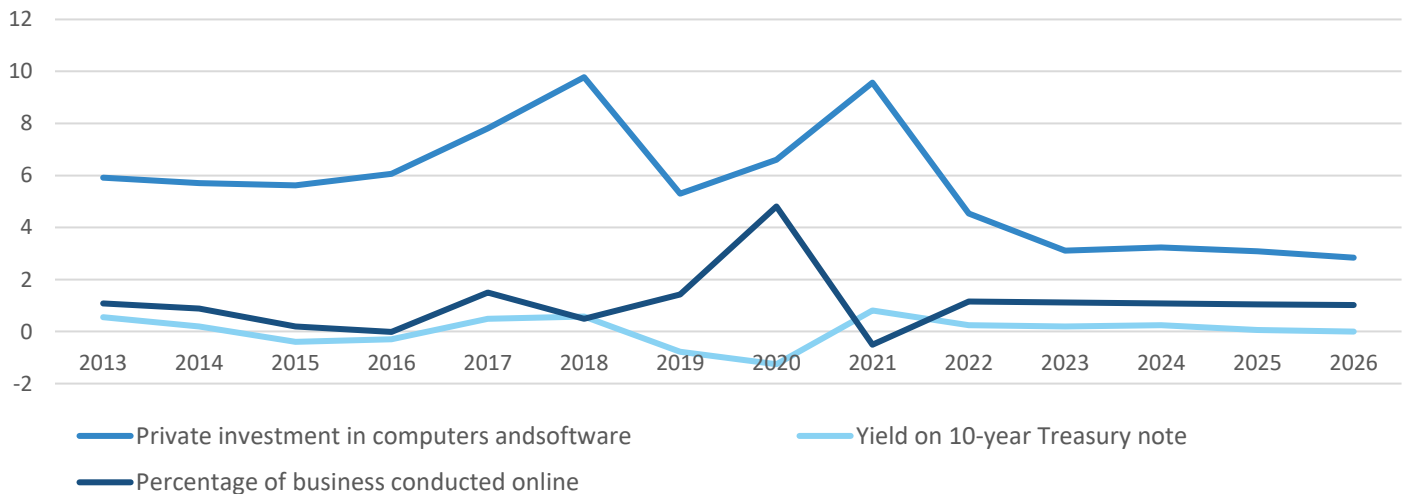
From October 1 – December 31, 2022, the S&P North American Technology Software Index declined 0.9% and was outperformed by the S&P 500 which increased 4.4% over the same period of time.



Key External Drivers

The level of private investment in computers and software reflects the general implementation of information technology within the private sector. In a recessionary environment, consumers have less capital to spend on hardware and expensive software platforms which ultimately decreases the industry’s revenue.

Overall, the Software & Tech-enabled services industry tends to be less stable and resistant to volatility in the broader economy than other industries. December 2022 CPI inflation came out at 6.5% marking the sixth consecutive month of declining inflation. Despite a trend of declining inflation, the federal reserve is anticipated to continue quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending until inflation reaches normal levels around 2%. These ongoing rate hikes will likely send the United States economy into a mild recession sometime during 1H 2023 and result in lower revenues for the Software & Tech-enabled services sector.



Industry Outlook

AI Everywhere

AI in the Workplace Takes Off

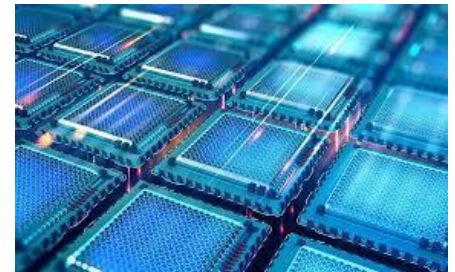
AI will make it easier for consumers to pay for and receive goods and services. AI will also augment business processes across a variety of industries. For example, more retailers will use AI to manage and automate the complex inventory management processes that happen behind the scenes.



Quantum Progress

US, UK, China, and Russia invest heavily into dangerous computing technology

Quantum computing can produce computers that operate exponentially quicker than the fastest traditional processors available today. Any nation that develops quantum computing at scale could break the encryption of other nations' businesses, security systems, etc.



Web3

Logistics companies cut workers to lower labor costs

Blockchain technology is advancing as companies create more decentralized products. For example, most data is stored in the cloud, but companies like Protocol Labs are creating products, like Filecoin, that allow for decentralized data storage and encryption using blockchain technology. These products improve the safety and accessibility of data and provide innovative ways to access and analyze it.



Cybersecurity

Increased demand for cybersecurity

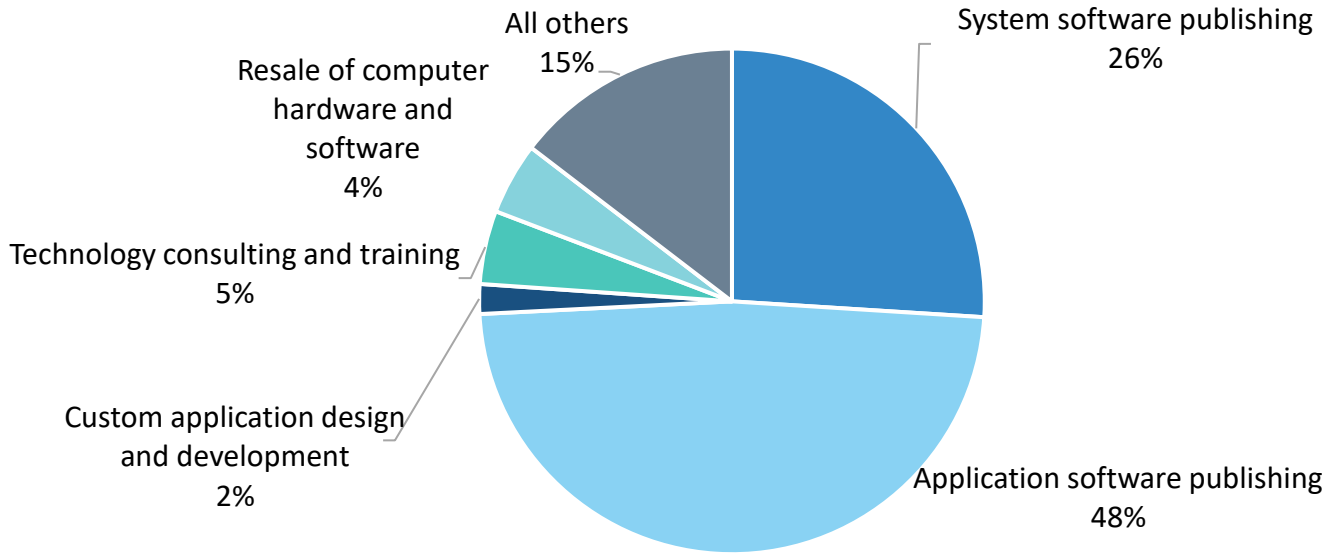
Given the relevance of online data in modern business, the demand for Cybersecurity systems is continuing to increase. There has been a 15% annual increase in costs associated to cybercrime, and this number is expected to grow to \$10.5T dollars in losses by 2025. This is led by a sizable number of breaches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



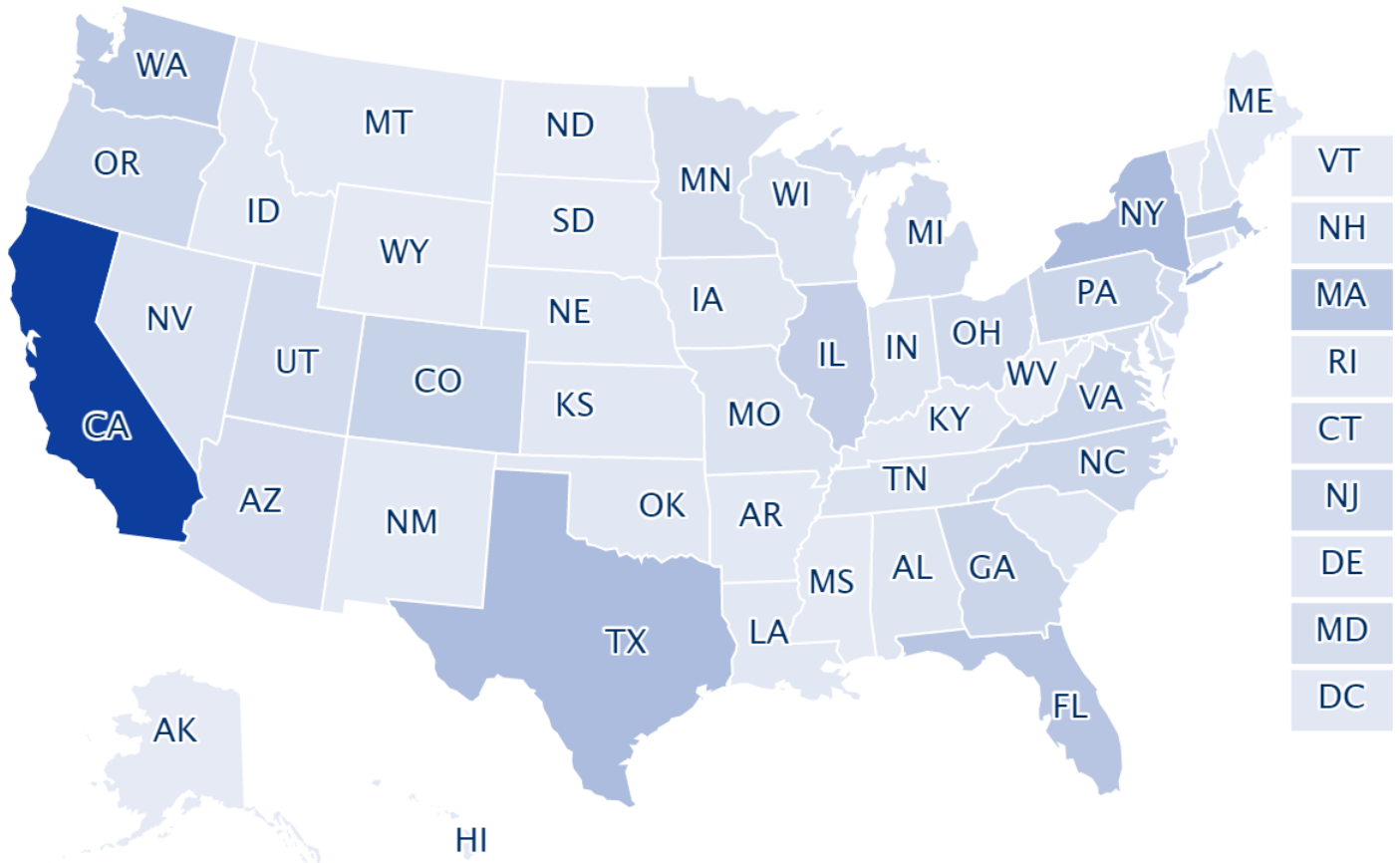
Source: Pitchbook, Forbes

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.



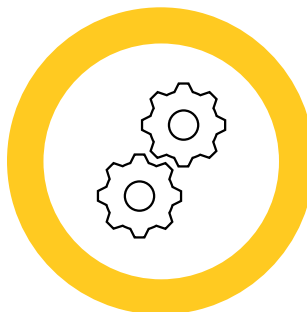
Buy-Side Advisory: Buy a business

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 the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. 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 respects such requests as a matter of policy.



Sold substantially all of its assets to



Sold substantially all of its assets to



has completed a recapitalization with



Has been acquired by



Has been acquired by



Has been acquired by



Our M&A Deal Leaders



R. Trevor Hulett, CPA
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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
Director
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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.



Ryan Hartman

Analyst

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Ryan joined R.L. Hulett 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

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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

R.L. Hulett is a middle-market investment bank based in St. Louis, Missouri, providing M&A and financial advisory services to middle-market companies. Since its founding in 1981, the firm has advised in over 275 transactions in a variety of industries including industrials, food & beverage, packaging, business services, transportation & logistics, healthcare and software/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:



Tech-enabled Services



Transportation & Logistics



Food & Beverage



Industrials



Packaging



Healthcare

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