



Software & Tech-Enabled Services M&A Update

Q1 2023

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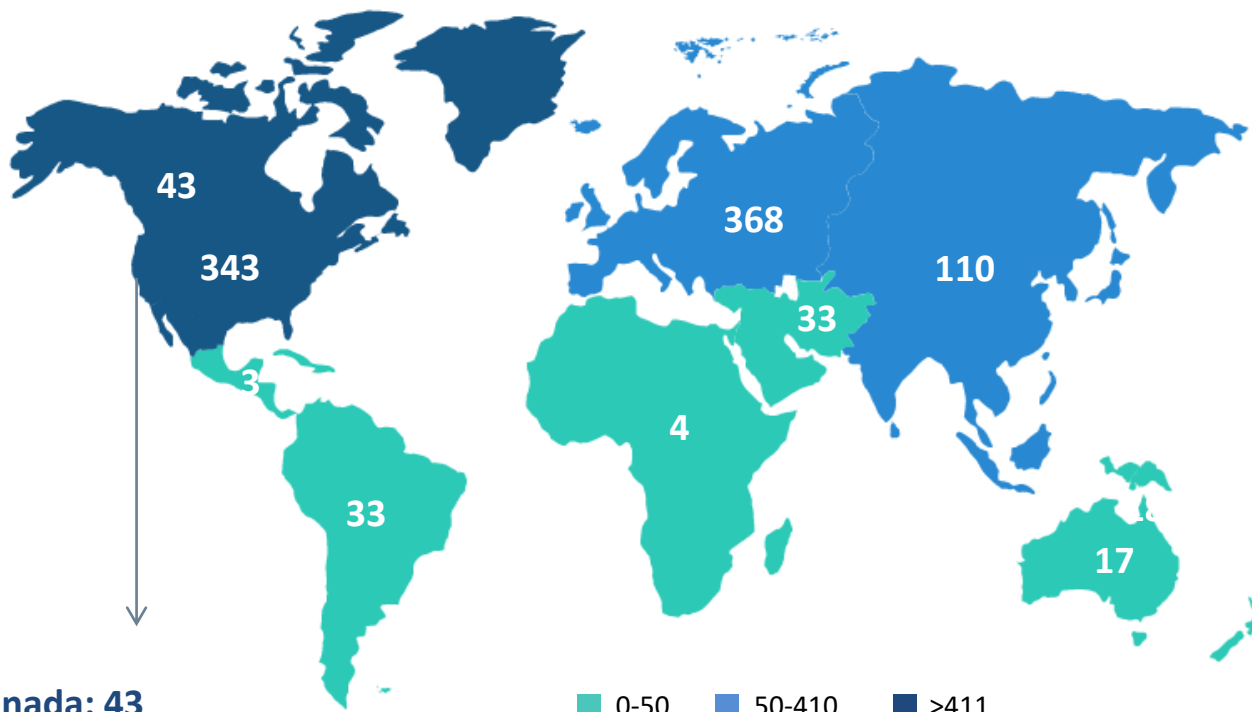
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REPORT HIGHLIGHTS

- The North American Technology Software Industry Index increased by 19.4% in Q1 2023 and outperformed the S&P 500 index, which increased 7.5% in the same period.
- The median EV/EBITDA multiple for reported strategic deals decreased to 19.0x in Q1 2023 from 24.4x in 2022 and for PE deals increased to 25.0x in Q1 (excluding outliers) from 22.0x in 2022.
- M&A deal volume in the Software & Tech-enabled Services sector was down 11.1% to 954 completed transactions in Q1 2023 compared to 1,073 deals in Q4 2022, but was up 18.2% from 807 deals in Q1 of the prior year.
- Total capital invested decreased 51.3% to \$50.3 billion in Q1 2023 from \$103.2 billion in Q4, but increased 15.9% from \$43.4 billion in Q1 of the prior year.
- North America was the most active region in Q1 2023 with 386 deals. Most notably in the North American market was the \$8.0 billion acquisition of Coupa by ADIA in February 2023.

Global Deal Analytics

Of the 954 deals transacted globally in the Software & Tech-enabled services sector in Q1 2023, North America was the most active market with 386 completed transactions followed by Europe with 368. A notable European deal was Schneider Electric's \$12.4 billion acquisition of the England-based software holding company, Aveva Group, in January 2023. All other regions combined for a total of 200 completed transactions.



Canada: 43

United States Regions: 343

West Coast:	106
Mid Atlantic:	66
Southeast:	50
South:	31
Great Lakes:	29
Other:	61

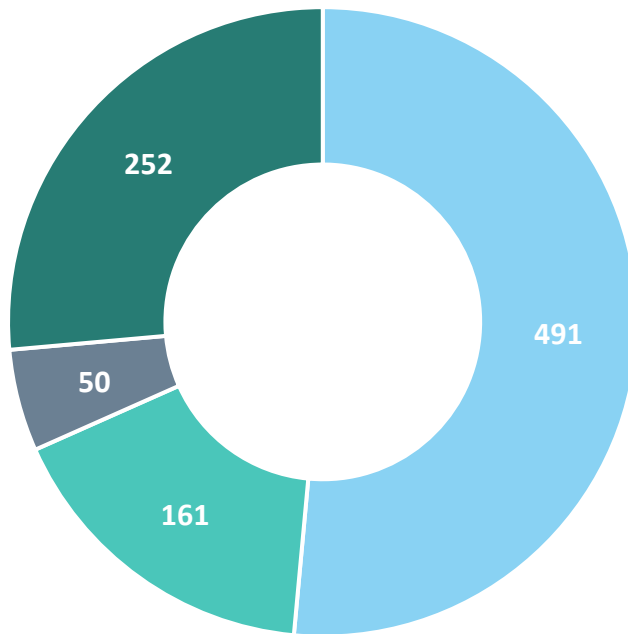
In the North American market, the West Coast region was the most active with 106 closed deals, followed by the Mid Atlantic and Southeast with 66 and 50 closed deals, respectively. The South and Great Lakes regions had 31 and 29 closed deals, respectively, including Vista Equity Partners' \$4.6 billion acquisition of KnowBe4, a Florida-based security awareness framework business, in February 2023. All other regions combined for a total of 61 completed transactions.

Outside of the US in the Americas market, 43 transactions closed in Canada in Q1 2023, followed by South America and Central America with 33 and 3 closed deals, respectively.

Global Deal Analytics

Of the 954 Software & Tech-enabled services deals in Q1 2023, 491 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 161 deals. 50 deals closed in the Entertainment subsector and all other sectors combined for 252 closed transactions.

Deal by Sector



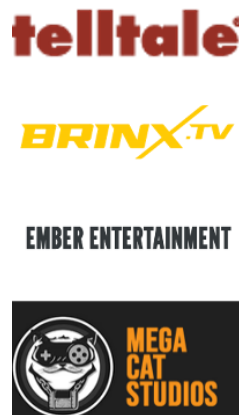
Business/Productivity



Fintech



Entertainment



Others



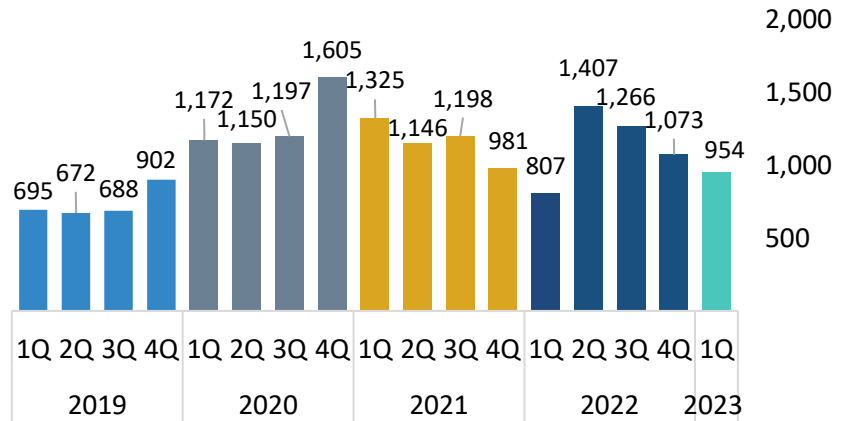
Global Deal Analytics

Deal volume in the Software & Tech-enabled services sector decreased 11.1% in Q1 2023 to 954 deals from 1,073 in Q4 2022, but increased 18.2% from 807 deals in Q1 of the prior year. Q1 2023 represents a continuation of a declining trend in volume from the peak of 1,407 deals in Q1 of 2022.

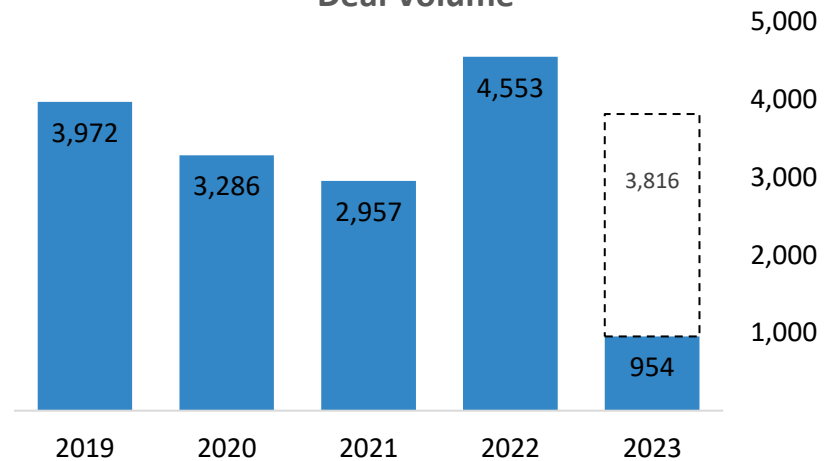
Based on Q1 levels, M&A deal volume for Software & Tech-enabled services in 2023 is projected to decrease 16.2% to 3,816 deals, down from 4,553 in FY 2022. This decline is primarily due to more challenging market conditions from a dealmaking perspective, including rising interest rates/cost of capital, tightening liquidity in the capital markets and continuing inflation impacting labor costs.

Total capital invested in M&A deals in the Software & Tech-enabled services sector decreased 51.3% in Q1 2023 to \$50.3B from \$103.2B in Q4 2022, but increased 15.9% from \$43.4B in Q1 of the prior year. This drop from the prior quarter is primarily due to Elon Musk’s \$44.0B acquisition of Twitter in October 2022 whereas the largest reported transaction in Q1 2023 was Schneider Electric’s \$12.4B acquisition of Aveva Group in January.

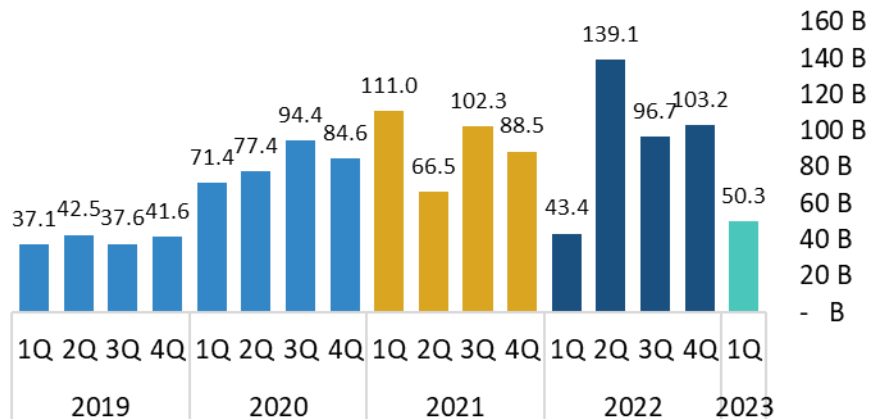
Deal Volume



Deal Volume



Total Capital Invested



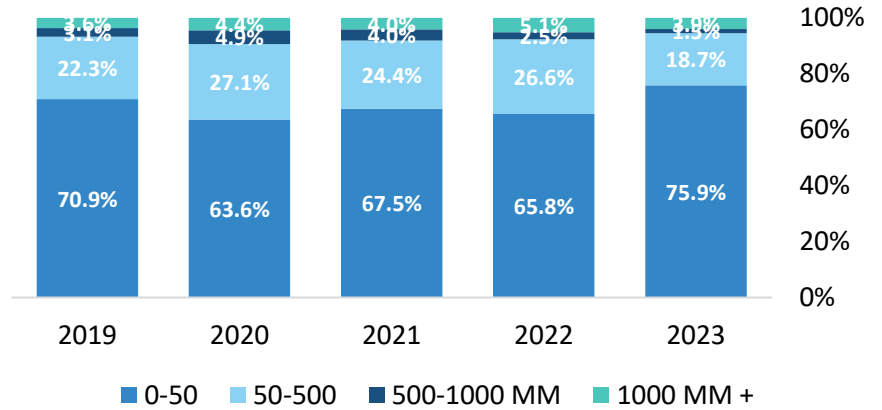
Global Deal Analytics

In Q1 2023, we saw a significant shift in mix toward smaller deals with the lower middle market tranche (\$0-\$50MM) increasing to 75.9% of deal volume from 65.8% in 2022. The middle market (\$50-\$500MM) tranche saw a decline to 18.7% from 26.6% in 2022 while the upper middle (\$500-\$1000MM) and large cap (\$1000MM+) tranches of the market both saw slight declines in Q1 from 2022.

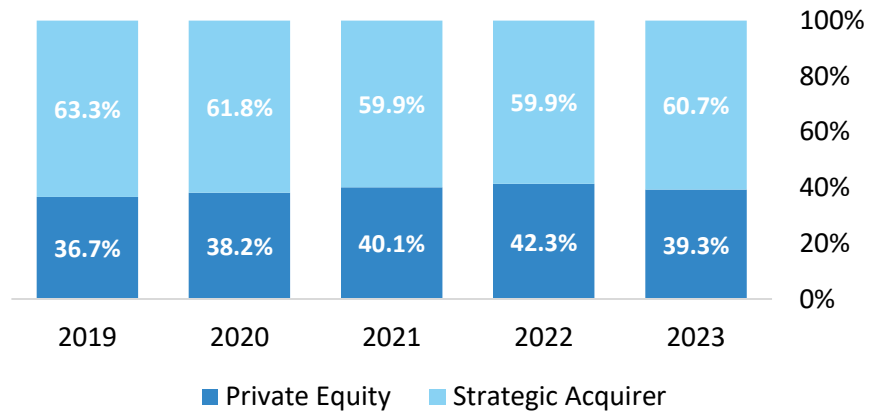
As a % of total deal volume, PE buyers trended slightly lower in Q1 relative to strategic buyers, representing 39.3% of deal volume in the sector. Q1 2023 marks the lowest percentage of PE deal volume over the last 3 years.

Similar to the trend of declining deal volume, PE share of total capital invested in M&A deals declined significantly in Q1 to 41.7%, down from 52.8% in 2022. PE's share of total capital invested in Q1 represents the lowest level in four years and is indicative of challenges in the broader capital markets with rising interest rates and higher costs of capital.

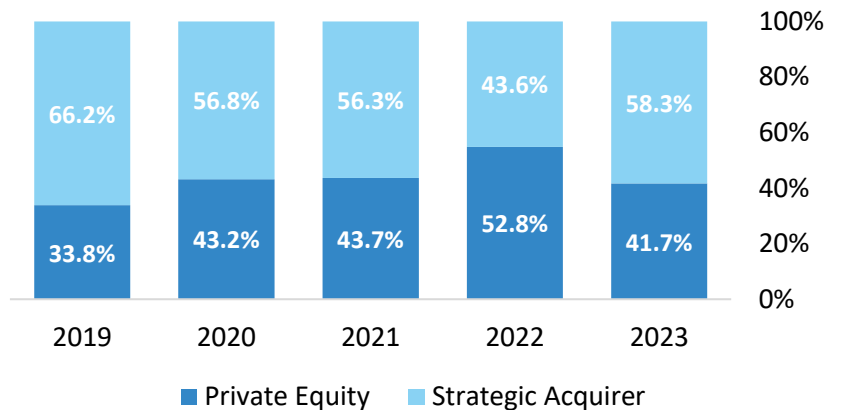
Deal Volume by Deal Size



Deal Volume by Acquirer

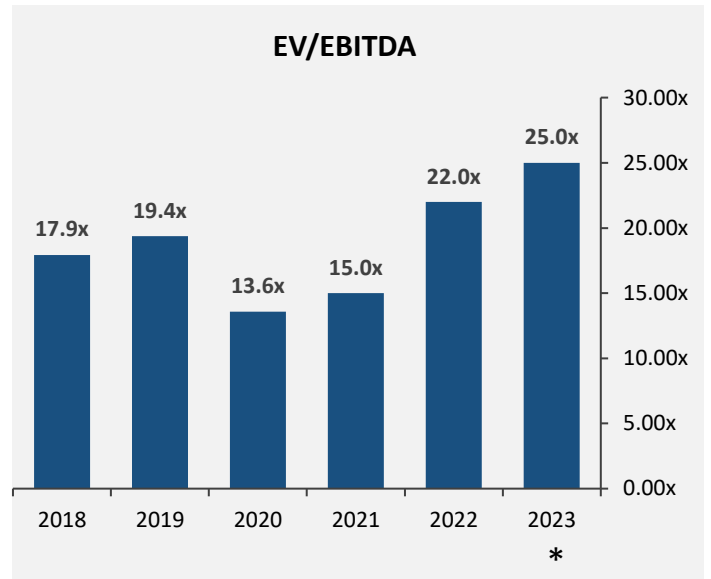
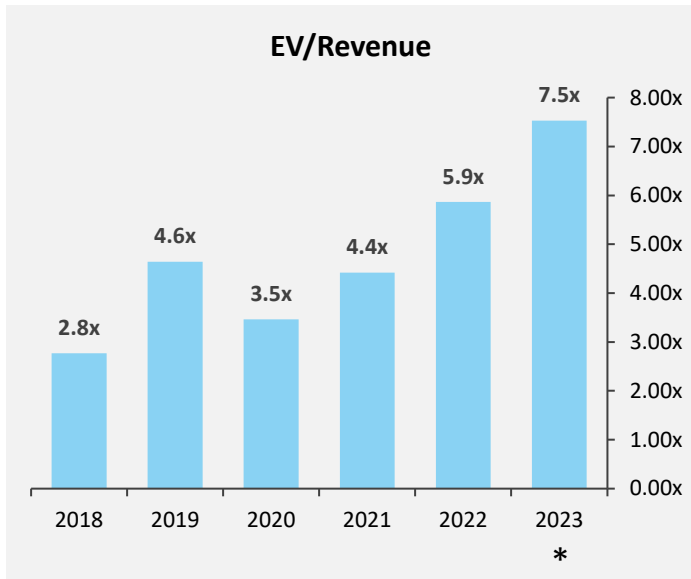


Total Capital Invested by Acquirer

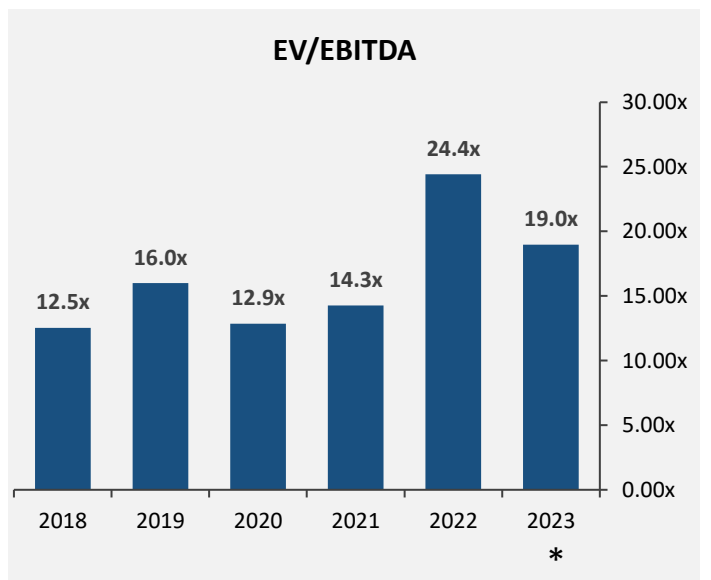
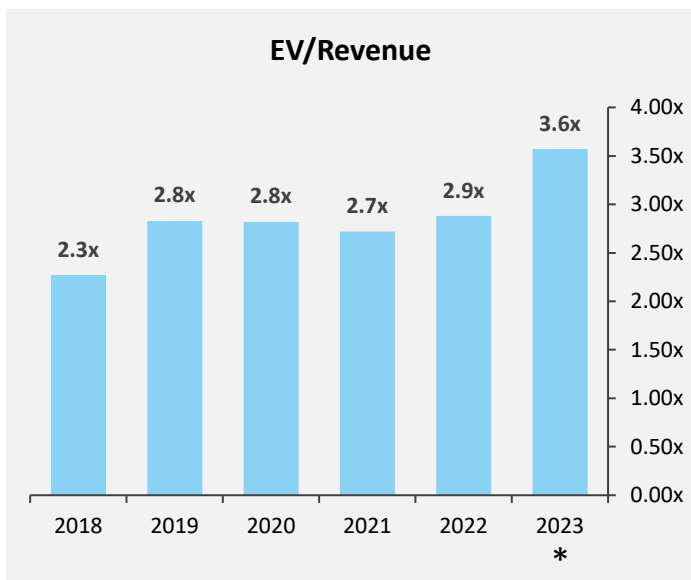


Valuation Multiples

PE Multiples



Strategic Multiples



* Multiples illustrated exclude the high multiple outliers for both EV/Revenue and EV/EBITDA. Additionally, the EV/EBITDA multiple for PE buyers was calculated using a weighted average and excludes the single largest outlier.

Largest Deals (Completed)

Deal Date	Company Name	Buyer	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
30-Mar-2023	Duck Creek Technologies	Vista Equity Partners	Buyout/LBO	\$ 2,600.0	7.53x	377.34x	Duck Creek Technologies Inc is a technology company.
23-Mar-2023	Becon	CRM&Bonus	Merger/Acquisition	3.5	3.57x		Developer of an online platform designed to connect to customers through Wi-Fi or WhatsApp Official API.
15-Mar-2023	Minerva Labs	Rapid7	Merger/Acquisition	38.0	12.26x		Developer of preemptive threat prevention and response platform.
14-Mar-2023	Vita Software	Microlise	Merger/Acquisition	2.5		7.76x	Developer of transportation management system software based in Brough, United Kingdom.
07-Mar-2023	Compliasset	Sinqia	Merger/Acquisition	3.5	4.45x	9.63x	Developer of compliance management software catering to the capital market.
28-Feb-2023	Solairo	Commerce One Holdings	Merger/Acquisition	0.2	111.61x		Operator of an integrated chat management and communication platform.
27-Feb-2023	Coupa	Abu Dhabi Investment Authority	Buyout/LBO	8,000.0	9.78x		Coupa Software is a cloud-based provider of business spending management solutions.
23-Feb-2023	Equativ	Adelie, Bridgepoint Advisers	Abu Dhabi Investment /		3.57x		Developer of direct and programmatic advertising software.
23-Feb-2023	Paya	Nuvei	Merger/Acquisition	1,300.0	4.00x	18.96x	Provider of integrated payment and frictionless commerce solutions.
08-Feb-2023	Qumu	Enghouse Systems	Merger/Acquisition	18.0	0.56x		Provider of the software solutions to manage and measure the success of live video for enterprises.
07-Feb-2023	MarkLogic	Progress Software	Merger/Acquisition	355.0	3.55x		Developer of a metadata refining platform intended for government agencies.
07-Feb-2023	Vintagesoftware	Auction Technology Group	Merger/Acquisition	40.0	4.60x	8,510.64x	Provider of platform services to estate sales catering across the United States market.
01-Feb-2023	Envase	WiseTech Global	Merger/Acquisition	230.0	6.57x		Developer of cloud-based transportation management systems.
01-Feb-2023	KnowBe4	Vista Equity Partners	Buyout/LBO	4,600.0	13.69x	132.03x	Provider of a security awareness framework that allows businesses to mitigate social engineering attacks.
31-Jan-2023	Micro Focus International	OpenText	Merger/Acquisition	7,298.4			Operator of a software company supporting the technology needs and challenges.
24-Jan-2023	Gramophone	Info Edge	Merger/Acquisition	1.1	0.02x		Developer of an agriculture technology platform designed to provide agronomic intelligence.
24-Jan-2023	Benefitfocus	Voya Financial	Merger/Acquisition	570.0	2.07x	30.87x	Operator cloud-based benefits management platform for consumers, employers, insurance carriers, and brokers.
23-Jan-2023	Coyote Software	VitalHub	Merger/Acquisition	2.4	1.48x		Developer of a software solution platform.
23-Jan-2023	Anavitor	Evolver Investment Group	Buyout/LBO	0.6	1.53x	6.11x	Developer of environmental calculation program intended to serve the real estate and construction industry.
18-Jan-2023	Aveva Group	Schneider Electric	PIPE	12,398.1			Operator of a United Kingdom-based holding company whose subsidiaries provide information management.
10-Jan-2023	Absfront	CombinedX	Merger/Acquisition	3.7	1.07x		Developer of a customer relationship management platform.
03-Jan-2023	SurePrep	Thomson Reuters	Merger/Acquisition	500.0	8.33x		Developer of professional tax automation software designed for accounting firms.
03-Jan-2023	Simpliconnect	Ackroo	Merger/Acquisition	2.0	2.00x		Developer of marketing software designed to build strong loyalty programs for consumers.
* Mean				1,725.8	4.77x	14.67x	
* Median				39.0	3.57x	9.63x	
High				12,398.1	13.69x	30.87x	
Low				0.2	0.02x	6.11x	

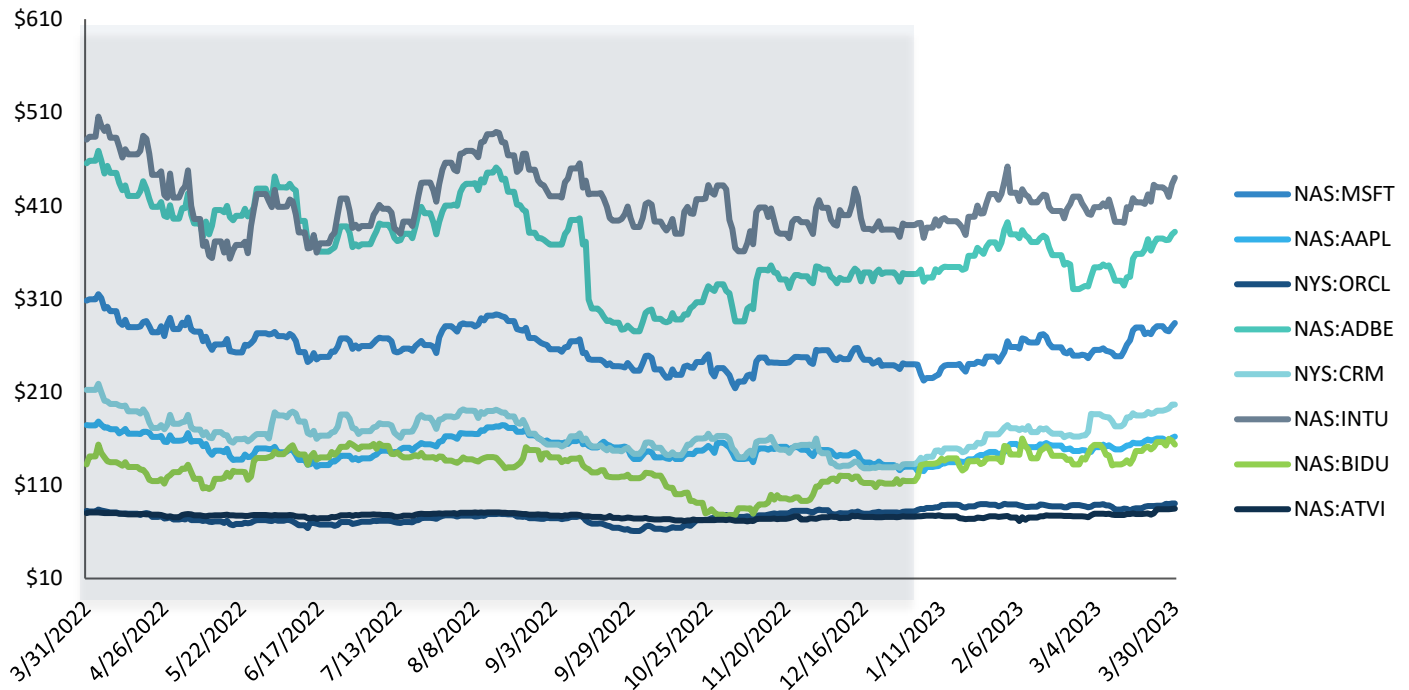
* Multiples illustrated exclude the high multiple outliers for both EV/Revenue and EV/EBITDA

Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>AVEVA Group PLC, a UK-based provider of engineering design, information management, and software solutions, sold a 40% stake in the company to Schneider Electric for \$12.4 billion in January 2023. The acquisition will accelerate AVEVA's strategic focus to become the number one SaaS provider for the software and industrial sectors.</p>	<p>PIPE</p>
 	<p>Coupa, a California-based provider of business spending management solutions, was acquired by ADIA through an \$8 billion public-to-private LBO in February 2023. This acquisition will allow Coupa to leverage from ADIA's deep software expertise to help accelerate growth, drive continued investment in product innovation, and better serve the company's world-class customer community.</p>	<p>LBO</p>
 	<p>In January 2023, Micro Focus International, an England-based enterprise software company, was acquired by OpenText for \$7.3 billion. Through this acquisition, OpenText aims to help enterprise professionals secure their operations and gain more insight into their information.</p>	<p>Merger/ Acquisition</p>
 	<p>KnowBe4 is a Florida-based provider of a security awareness framework that allows businesses to mitigate social engineering attacks. The company was acquired by Vista Equity Partners through a \$4.6 billion public-to-private LBO in February 2023.</p>	<p>LBO</p>

Public Comps

Stock Price



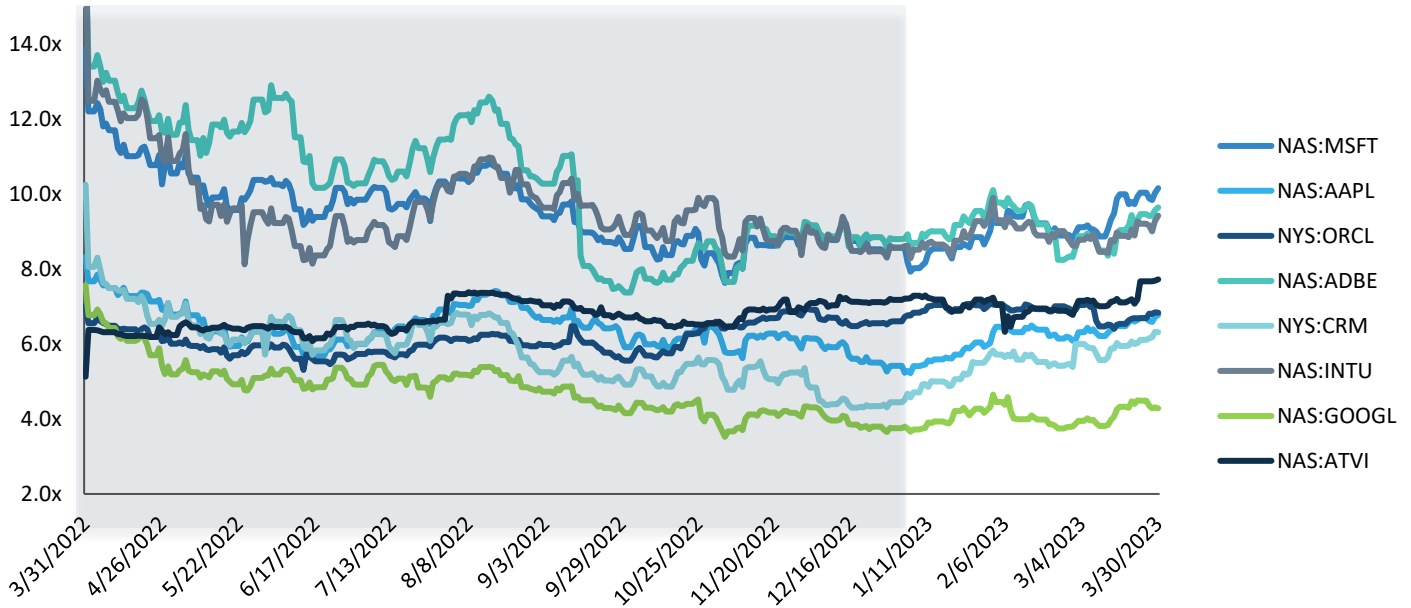
Financial & Valuation

\$MM	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
					21A	22A	23A	21A	22A	23A	21A	22A	23A	21A	22A	23A
Microsoft	NAS:MSFT	288	2,146,049	60,114	13.9x	8.6x	8.2x	27.9x	17.7x	17.1x	13%	20%	5%	47%	50%	52%
Apple	NAS:AAPL	165	2,609,039	111,110	8.1x	5.4x	5.3x	24.7x	16.4x	16.3x	6%	33%	3%	28%	33%	32%
Oracle	NYS:ORCL	93	250,866	91,811	7.0x	6.6x	6.1x	20.3x	17.2x	13.0x	0%	5%	8%	44%	34%	53%
Adobe	NAS:ADBE	385	176,769	4,126	17.0x	8.8x	8.1x	40.7x	22.2x	16.4x	17%	21%	12%	39%	42%	49%
Salesforce	NYS:CRM	200	199,780	14,088	10.2x	4.4x	3.9x	47.3x	31.0x	12.4x	28%	23%	13%	23%	22%	35%
Intuit	NAS:INTU	446	125,076	7,677	17.6x	8.6x	8.1x	59.9x	34.9x	20.7x	13%	32%	6%	33%	29%	39%
ServiceNow	NYS:NOW	465	94,338	2,232	23.2x	11.1x	8.7x	189.8x	114.7x	27.8x	31%	31%	28%	12%	12%	32%
Alphabet	NAS:GOOGL	104	1,330,081	29,679	7.6x	3.7x	3.4x	18.7x	11.5x	9.0x	11%	39%	9%	30%	40%	38%
Activision Blizzard	NAS:ATVI	86	67,126	3,611	5.0x	7.2x	5.5x	12.4x	23.2x	13.7x	11%	18%	31%	39%	41%	38%
Autodesk	NAS:ADSK	208	44,709	2,666	15.0x	8.5x	7.6x	77.0x	40.8x	19.5x	17%	15%	12%	19%	19%	37%

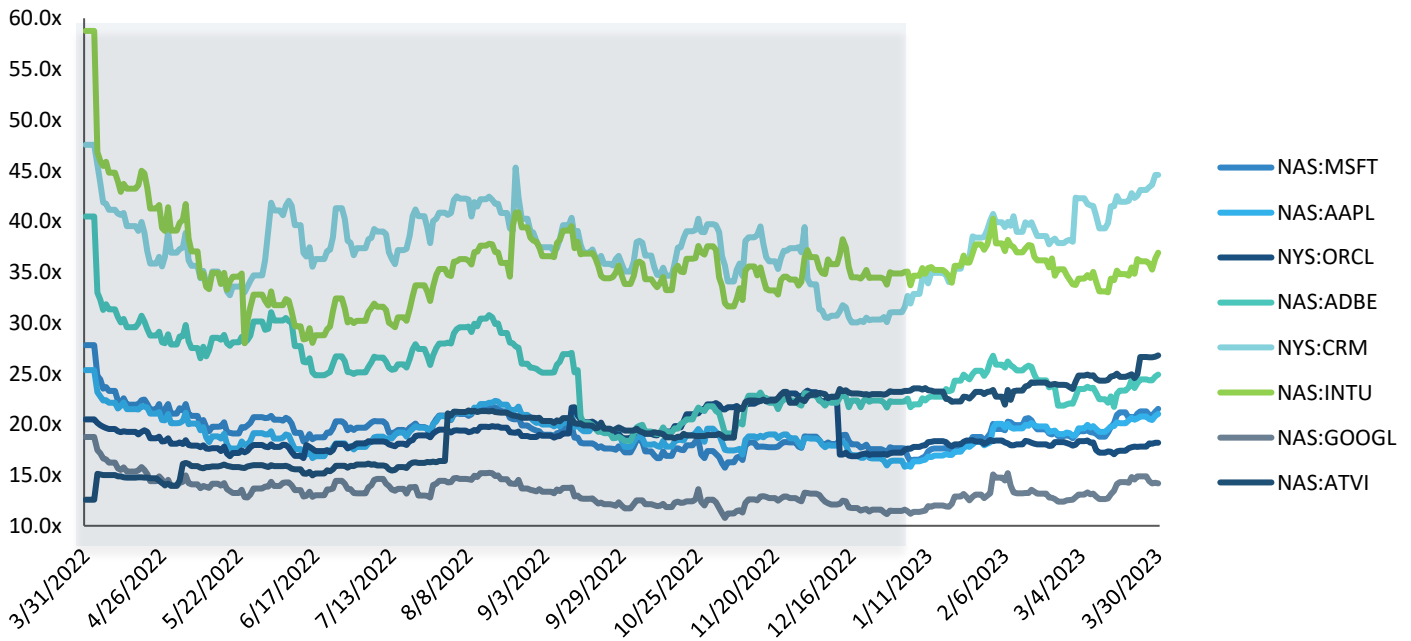
Mean					12.5x	7.3x	6.5x	51.9x	33.0x	16.6x	14.6%	23.8%	12.5%	31.4%	32.3%	40.4%
Median					12.1x	7.8x	6.8x	34.3x	22.7x	16.4x	13.2%	22.3%	10.3%	31.5%	33.6%	37.6%

Public Comps

EV/Revenue



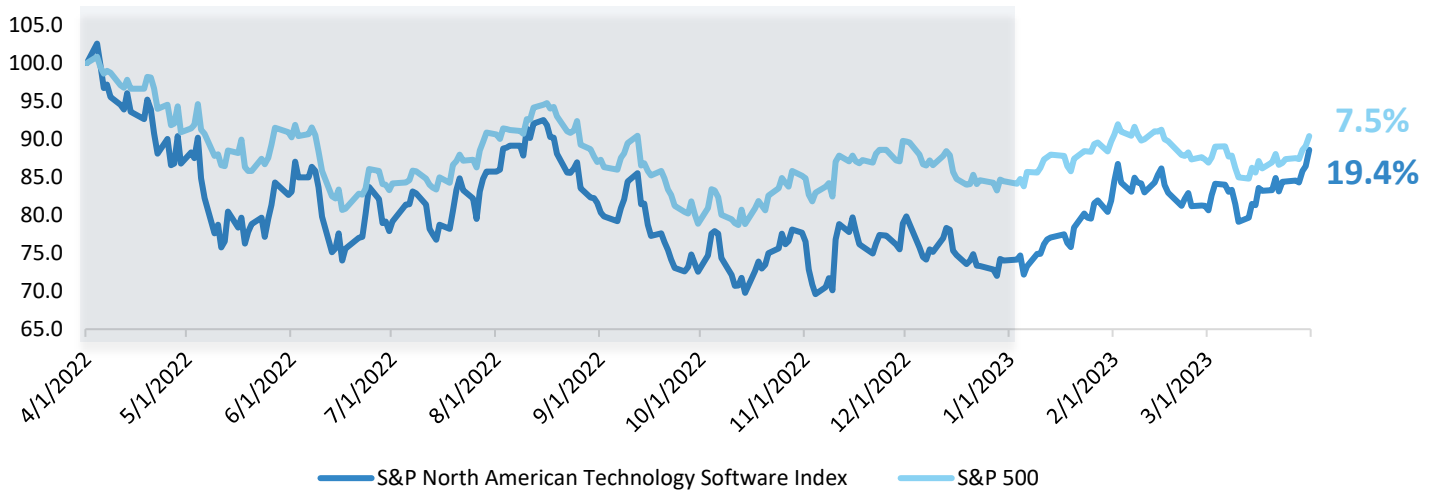
EV/EBITDA



Public Markets

Index Performance

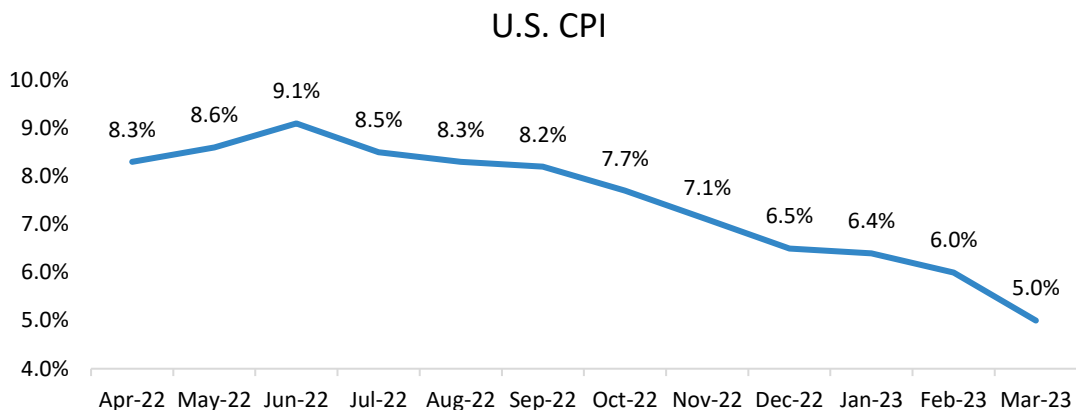
According to S&P Global Industry Index, the North American Technology Software Industry Index increased by 19.4% and outperformed the S&P 500 which rose 7.5% since January 1, 2023.



Key External Drivers

The level of private investment in computer hardware and software is correlated with broader economic conditions and business and consumer discretionary earnings. In a recessionary environment, businesses and 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. To combat the rapid inflation in the U.S. CPI, the federal reserve has been quantitative tightening, in the form of rate hikes to the Fed Fund Rate, to slow down consumer spending. As a result of the Fed’s rate hikes, March 2023 CPI inflation came out at 5.0% marking the ninth consecutive month of declining inflation. While these rate hikes have caused inflation to slowdown, the United States economy will likely enter into a recession sometime during the second half of 2023 and result in lower revenues for the Software & Tech-enabled services sector.



Industry Trends

IoT

The Internet of Healthcare Things

IoT involves the interconnection of physical devices, vehicles, buildings, and other items that are embedded with sensors, software, and network connectivity. One of the biggest gamechangers is the use of wearables and in-home sensors to enable healthcare professionals to monitor the condition of patients outside of the hospital.



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.



Low-code Development

Gaining Popularity of Low-code Development

Low-code development platforms are gaining popularity as they enable developers to create software applications quickly and with minimal coding. These platforms use visual interfaces and pre-built components, which make it easier for developers to build software faster.



Cybersecurity

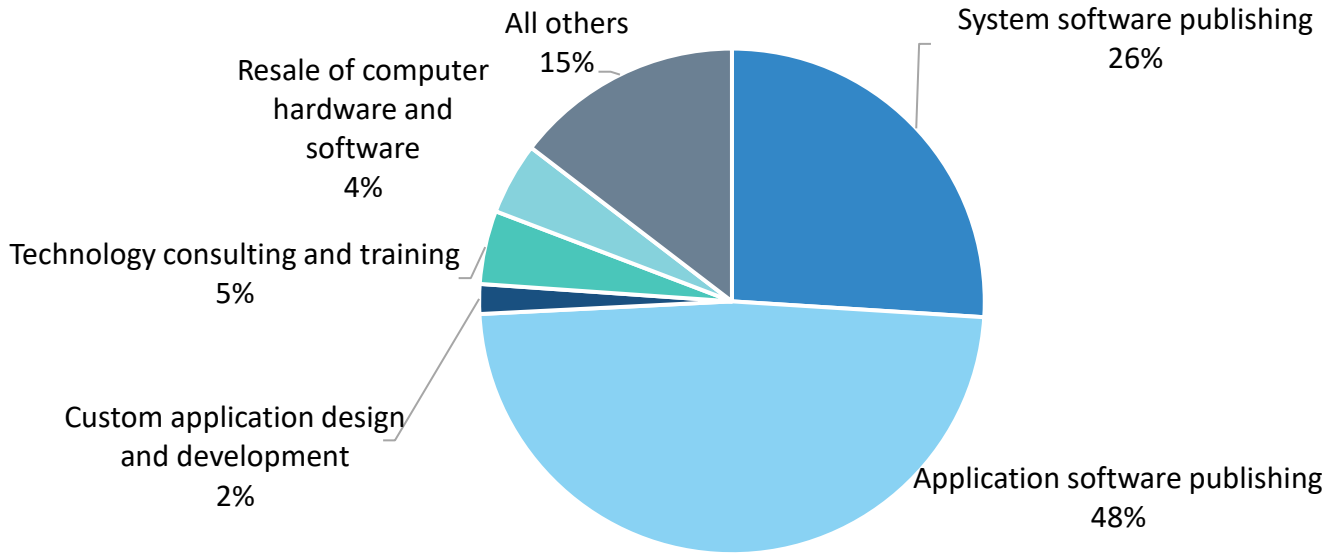
Increased Demand for Cybersecurity

Given the relevance of online data in modern business, the demand for Cybersecurity systems is continuing to increase. The total costs associated with cybercrime are expected to total \$10.5T 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 2022 alone.

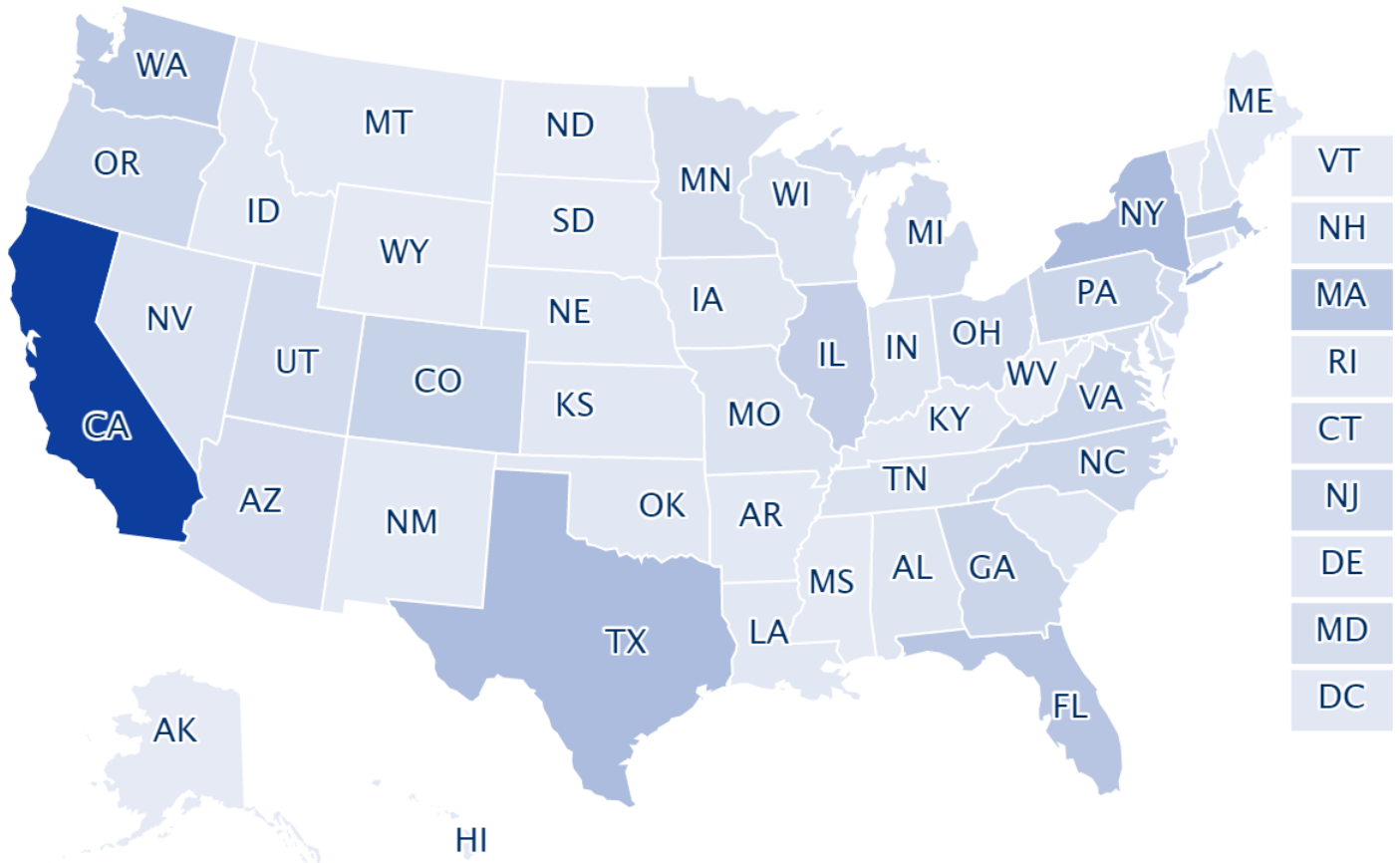


Industry Outlook

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.



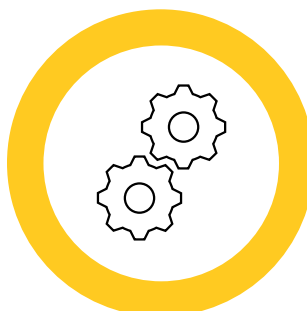
Buy-Side Advisory: Buy a business

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
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
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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