



# Software & Tech-Enabled Services M&A Update

## Q3 2023

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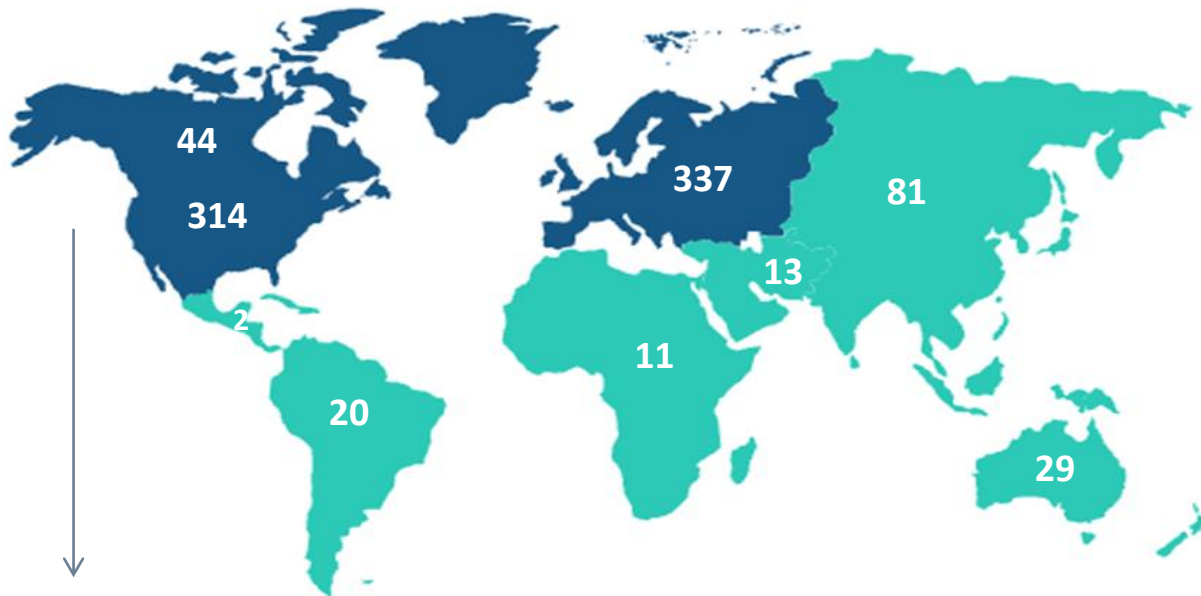
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### REPORT HIGHLIGHTS

- The North American Technology Software Industry Index decreased by 0.9% in Q3 and outperformed the S&P 500, which fell 3.8% over the same period.
- The median EV/Revenue multiple for reported private equity deals decreased to 5.3x in YTD 2023, down from 5.6x in 2022, but increased for strategic deals to 3.7x from 3.3x in the prior year.
- M&A deal volume in the Software & Tech-enabled Services sector was down 3.1% to 851 completed transactions in Q3 compared to 878 deals in Q2 and was down 29.0% from 1,198 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions in YTD 2023, PE participation increased to 56.5%, up from 54.8% in the prior year.
- North America was the most active region in Q3 with 358 deals. Most notably in the North American market was Intercontinental Exchange's \$13.1 acquisition of Black Knight in September 2023.

# Global Deal Analytics

Of the 851 deals in Q3, North America was the most active market with 358 completed transactions, followed by Europe with 337. A notable deal in the European market was Vista Equity Partners' \$6.3 billion investment of development capital in Finastra, a London-based developer of payment infrastructure software for financial institutions, in August 2023. All other regions combined for a total of 156 completed transactions.



**Canada: 44**

■ 0-100 ■ 101+

**United States Regions: 314**

<b>West Coast:</b>	<b>106</b>
<b>Mid Atlantic:</b>	<b>50</b>
<b>Southeast:</b>	<b>33</b>
<b>Great Lakes:</b>	<b>32</b>
<b>South:</b>	<b>31</b>
<b>Other:</b>	<b>62</b>

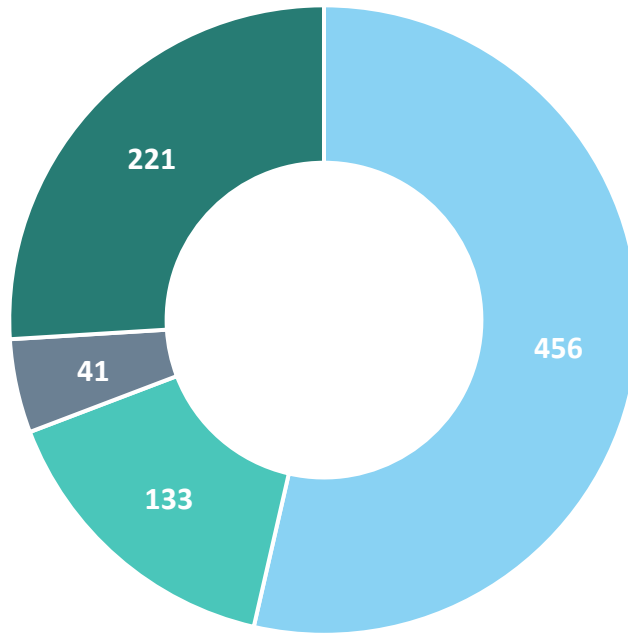
In the U.S. market, the West Coast region was the most active in Q3 with 106 closed deals. A notable West Coast deal was Saudia Arabia's Public Invest Fund's \$4.9B leveraged buyout of Scopely, a California-based mobile games publisher and developer, in July 2023. The Mid Atlantic had 50 transactions and was followed by the Southeast and Great Lakes regions which saw 33 and 32 completed deals, respectively. The South had 31 and all other regions combined for a total of 62 completed transactions.

Outside of the U.S. in the North American market, 44 transactions closed in Canada in Q3.

# Global Deal Analytics

Of the 851 Software & Tech-enabled services deals in Q3, 456 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 133 deals followed by Entertainment with 41. All other subsectors combined had a total of 221 closed transactions.

Deal by Sector



Business/Productivity

Fintech

Entertainment

Other



casetext



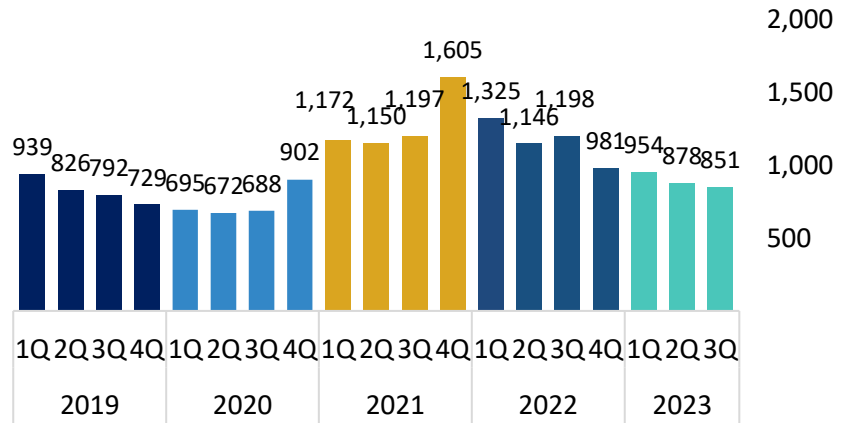
FINASTRA



# Global Deal Analytics

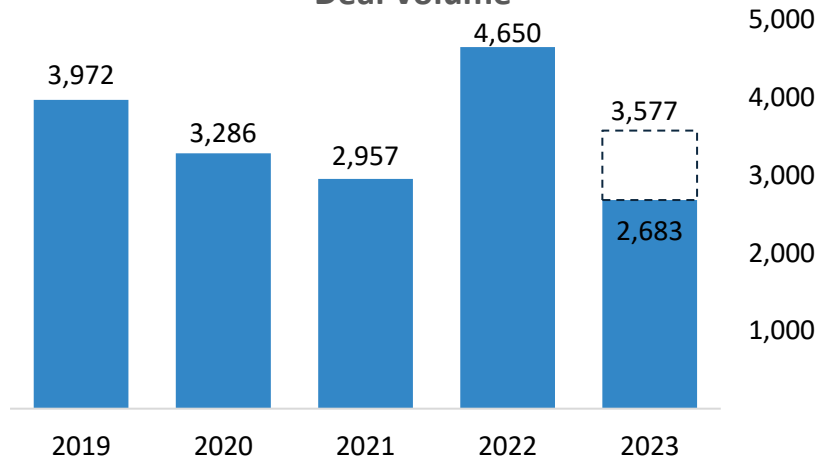
Deal volume in the Software & Tech-enabled services sector decreased 3.1% in Q3 to 851 deals from 878 in Q2 and decreased 29.0% from 1,198 deals in Q3 of the prior year. This quarterly decline in Q3 2023 continues a downward trend in M&A volume since the peak set in Q4 2021.

Deal Volume



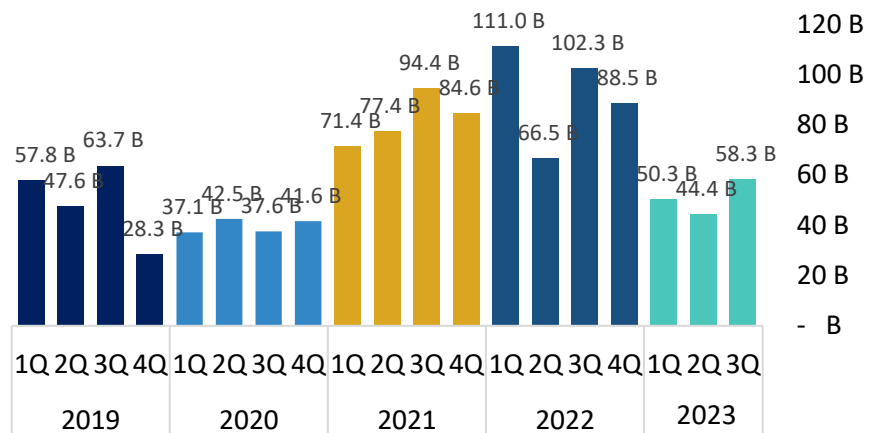
Based on YTD 2023 transaction data, M&A deal volume is projected to see a 23.1% decline to 3,557 deals in 2023 from 4,650 in the prior year. We attribute this decline to more challenging market conditions from a dealmaking perspective, including increased interest rates/cost of capital. These adverse conditions are expected to persist due to the Fed’s decision to maintain elevated interest rates through 1H 2024.

Deal Volume



Despite a decline in deal volume, total capital invested in M&A deals in the sector increased 31.3% in Q3 to \$58.3B from \$44.4B in Q2, but decreased 43.0% from \$102.3B in Q3 of the prior year. The increase from Q2 is primarily due to several large deals in the quarter, including ICE's \$13.1B acquisition of Black Knight.

Total Capital Invested



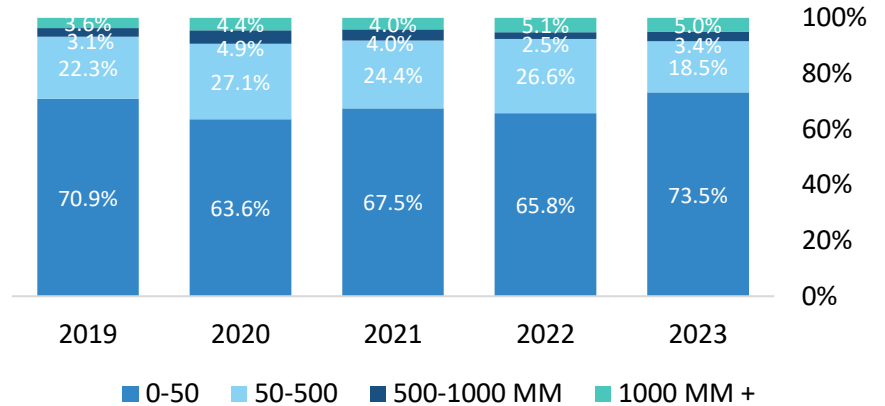
# Global Deal Analytics

YTD through Q3, we saw a significant shift in mix toward smaller deals with the lower middle market (\$0-\$50MM) increasing to 73.5% of deal volume from 65.8% in 2022. The middle market (\$50-\$500MM) saw a significant decline to 18.5% from 26.6% in 2022. The upper middle (\$500-\$1000MM) tranche increased from 2.5% to 3.4% while the large cap (\$1000MM+) tranche shifted slightly downwards to 5.0% from 5.1%, over the same period.

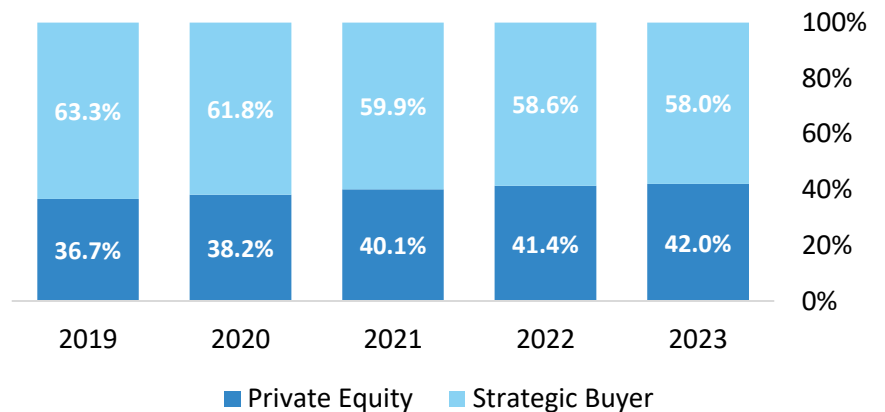
As a % of total deal volume, PE buyers trended slightly higher in 2023 relative to strategic buyers, representing 42.0% of deal volume in the sector, up from 41.4% in 2022. YTD Q3 2023 continues the trend of increasing PE participation that we've seen since 2019.

PE's share of total capital invested in M&A deals increased in YTD 2023 to 56.5%, up from 54.8% in the prior year and represents the highest level in five years. This trend seems indicative of Private Equity's appetite for exposure in this sector over strategic buyers' hesitancy given broader macro conditions.

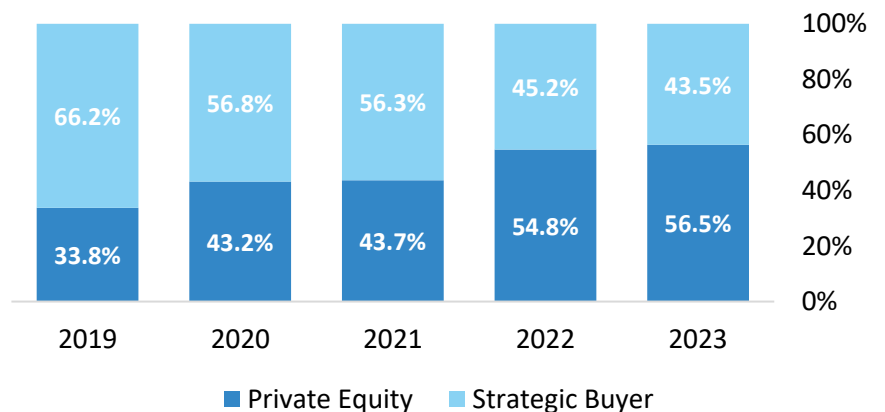
Deal Volume by Deal Size



Deal Volume by Acquirer

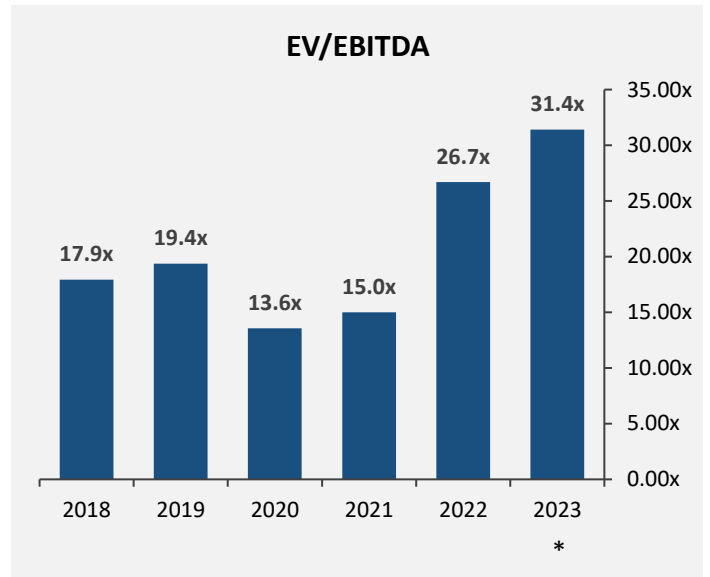
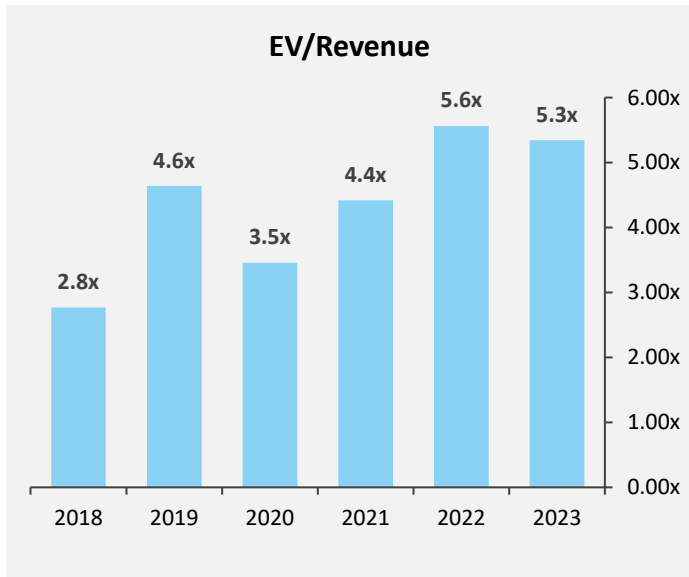


Total Capital Invested by Acquirer

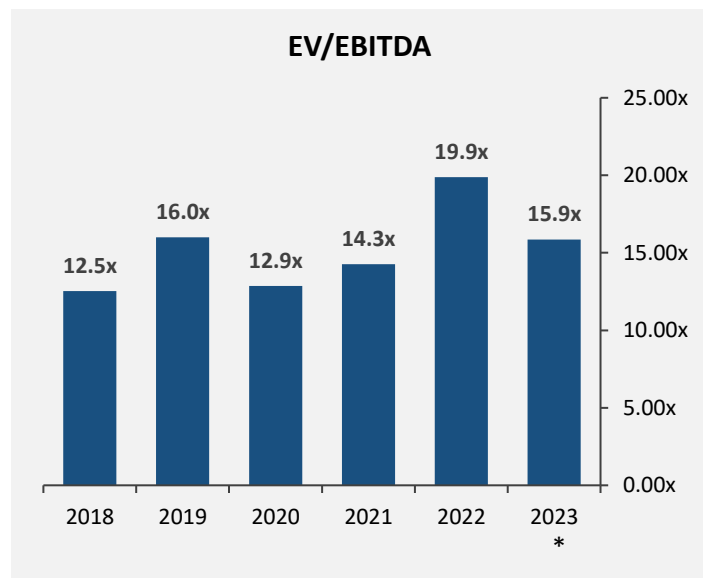
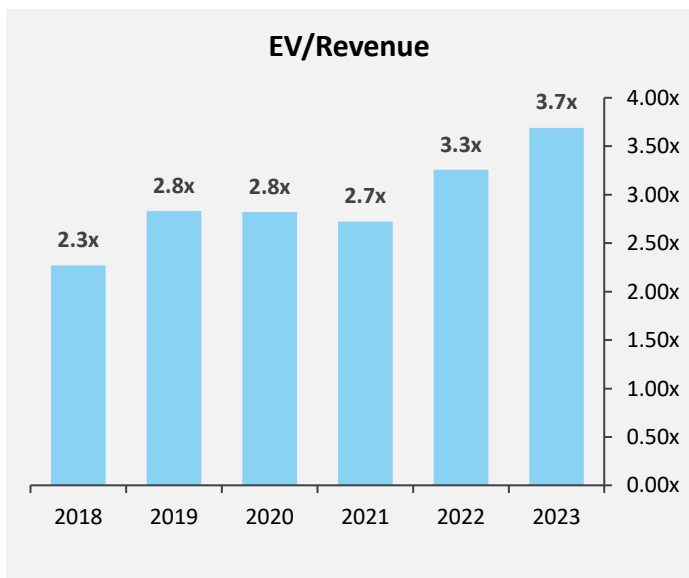


# Valuation Multiples

## Private Equity Multiples



## Strategic Multiples



\* The EV/EBITDA multiples listed for both Private Equity and Strategic buyers excluded outliers.

# Largest Deals (Completed)

Deal Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
29-Sep-2023	SimCorp	Deutsche Börse Group	Merger/Acquisition	\$ 4,600.6	7.27x	27.19x	Provider of customizable software solutions for asset management firms, offering services globally.
29-Sep-2023	Forcepoint G2CI	TPG	Buyout/LBO	2,450.0			Developer of cybersecurity software for the United States Government.
20-Sep-2023	Roadzen	Vahanna Tech Edge Acquisition	Reverse Merger	683.0			Operator of a platform offering insurance-related solutions, including distribution and telematics.
15-Sep-2023	Software	Silver Lake	Buyout/LBO	2,591.6	3.56x	29.00x	Provider of software solutions for various industries, including banking and energy, with a focus on cloud-based services.
15-Sep-2023	Optimal Blue	Constellation Software	Merger/Acquisition	700.0			Operator of an online mortgage marketplace connecting originators with investors.
05-Sep-2023	Black Knight	Intercontinental Exchange	Merger/Acquisition	13,100.0	8.60x	17.55x	Provider of software, data, and analytics solutions to the mortgage and consumer loan industry.
23-Aug-2023	ForgeRock	Thoma Bravo	Buyout/LBO	2,341.7	8.31x		Operator of a next-generation cloud identity company offering various identity and access management products.
17-Aug-2023	Rovio Entertainment	Sega Sammy Holdings	Merger/Acquisition	778.1	2.01x	15.27x	Games entertainment company known for popular mobile games like Angry Birds.
17-Aug-2023	Casetext	Thomson Reuters	Merger/Acquisition	650.0			Developer of a legal research platform using AI and machine learning.
15-Aug-2023	Finastra	Vista Equity Partners	PE Growth/Expansion	6,300.0			Developer of payment infrastructure software for financial institutions.
10-Aug-2023	Apptio	International Business Machines	Merger/Acquisition	4,600.0			Provider of business management software as a service for IT leaders.
09-Aug-2023	Meltwater	Altor Equity Partners	Buyout/LBO	571.8	1.22x	31.42x	Provider of Social and media intelligence, analyzing posts from various sources.
07-Aug-2023	Syntellis Performance Solutions	Strata Decision Technology	Merger/Acquisition	1,385.0			Developer of enterprise performance management software for healthcare and financial institutions.
03-Aug-2023	PTC	Undisclosed Investor	PIPE	820.0			Provider of computer-assisted design and product lifecycle management software.
01-Aug-2023	PayU	Rapyd	Merger/Acquisition	610.0			Developer of a global payment platform for merchants.
31-Jul-2023	InstaDeep	BioNTech	Merger/Acquisition	723.6			Developer of a decision-making platform with AI programs.
28-Jul-2023	Absolute Software	Crosspoint Capital Partners	Buyout/LBO	870.0	3.69x	37.48x	Provider of a Cloud-based endpoint visibility and control platform.
12-Jul-2023	Scopely	Saudi Arabia's Public Investment Fund	Buyout/LBO	4,900.0			Developer of an interactive entertainment platform.
12-Jul-2023	MosaicML	Databricks	Merger/Acquisition	1,300.0			Developer of software infrastructure and AI training algorithms.
07-Jul-2023	Pismo	Visa	Merger/Acquisition	1,000.0			Developer of a cloud-based payment processing platform.
Mean				2,548.8	4.95x	26.32x	
Median				1,150.0	3.69x	28.1x	
High				13,100.0	8.6x	37.48x	
Low				571.8	1.22x	15.27x	

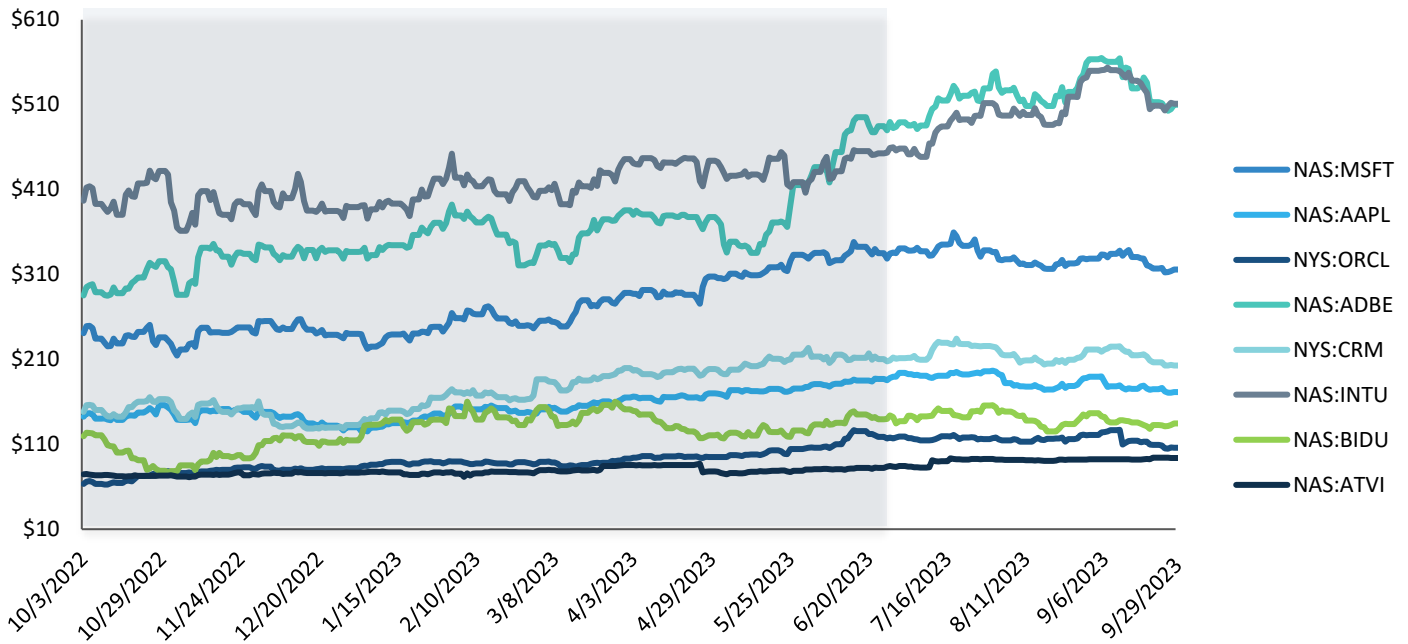
## Leading M&A Deals (Completed)

Deal	Deal Synopsis	Driver
 	<p>Black Knight, a Florida-based provider of software, data, and analytics solutions that serve the housing finance continuum, was acquired by Intercontinental Exchange (“ICE”) for \$13.1 billion in September 2023. ICE plans to bring its expertise in technological innovation and digitization to the U.S. mortgage ecosystem.</p>	<p><b>Merger/ Acquisition</b></p>
 	<p>Finastra, a London-based developer of payment infrastructure software for financial institutions received \$6.3 billion of development capital from Vista Equity Partners (“VEP”) in August 2023. With Vista's investment, Finastra continues to develop a vast array of pre-integrated solutions, which encompass retail and transaction banking and lending, as well as treasury and capital markets.</p>	<p><b>PE Growth/ Expansion</b></p>
 	<p>Scopely, a California-based mobile games publisher and developer, was acquired by Saudia Arabia’s Public Investment Fund (“SAPIF”) through a \$4.9 LBO in July 2023. Scopely will benefit from SAPIF’s long-term investment to grow and deepen existing franchises, unlock new player audiences, and work with the best talent and studios across the industry.</p>	<p><b>Buyout/LBO</b></p>
 	<p>SimCorp, a Copenhagen-based provider of software solutions to financial firms, was acquired by Deutsche Börse Group (“DBG”) through a \$4.6 billion all-cash public takeover in September 2023. DBG believes the acquisition is key to its future strategy, combining SimCorp's investment management software with DBG’s data.</p>	<p><b>Buyout/LBO</b></p>



# Public Comps

## Stock Price



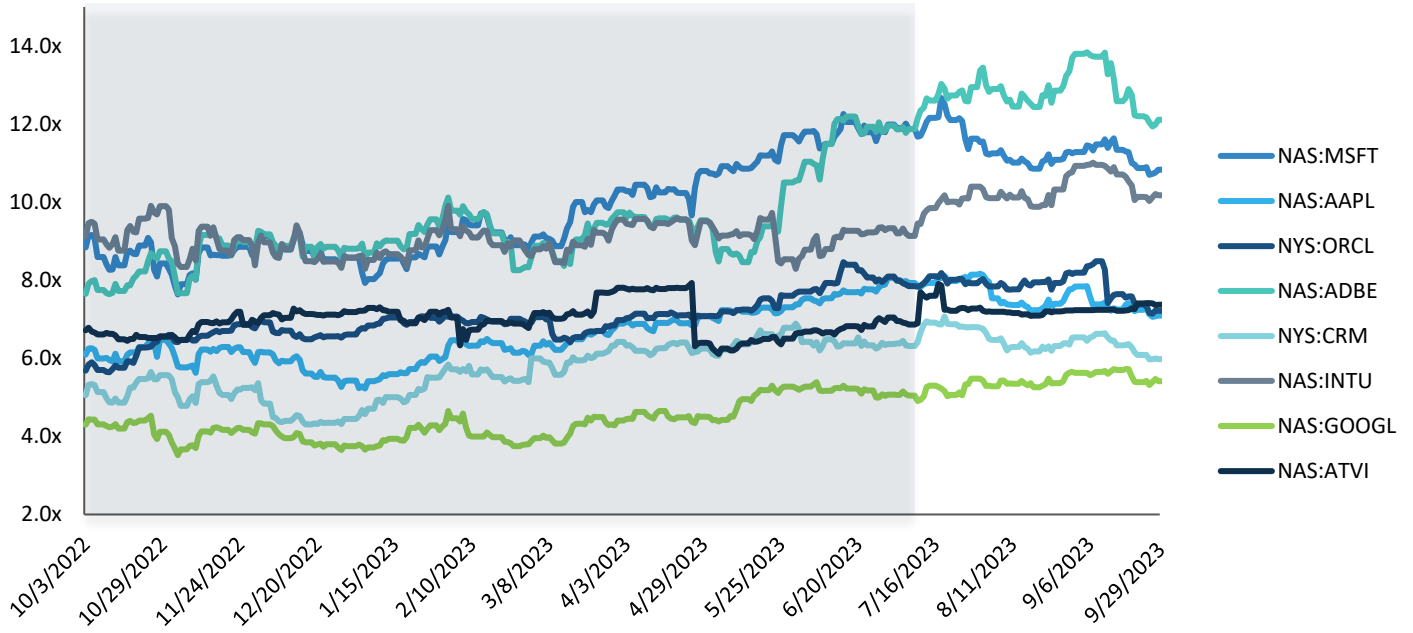
## Financial & Valuation

\$MM	Company	Ticker	Stock Price	Market Cap	Total Debt	EV/Revenue			EV/EBITDA			Revenue Growth			EBITDA Margin		
						21A	22A	23F	21A	22A	23F	21A	22A	23F	21A	22A	23F
	Avery Dennison	NYSE:AVY	183	14,720	3,546	2.5x	1.9x	1.9x	16.1x	12.2x	11.8x	-4%	22%	8%	14%	16%	16%
	Berry Global	NYSE:BERY	62	7,312	9,724	1.4x	1.1x	1.1x	9.0x	7.7x	7.5x	32%	18%	0%	17%	15%	16%
	Brady Worldwide	NYSE:BRC	55	2,656	81	2.3x	1.8x	1.8x	13.6x	10.1x	N/A	-7%	11%	5%	16%	17%	N/A
	Sonoco	NYSE:SON	54	5,324	3,396	1.3x	1.3x	1.2x	122.9x	9.8x	8.3x	-5%	7%	2%	13%	1%	15%
	Sealed Air	NYSE:SEE	33	4,765	5,066	2.5x	1.9x	1.8x	13.4x	9.3x	8.4x	2%	10%	2%	19%	19%	20%
	International Paper	NYSE:IP	35	12,273	6,124	1.1x	0.9x	0.9x	7.1x	9.3x	7.0x	-26%	-2%	-5%	12%	14%	9%
	WestRock	NYSE:WRK	36	9,179	9,027	1.0x	0.8x	0.8x	6.7x	5.5x	5.1x	-4%	7%	-3%	8%	16%	13%
	Packaging Corporation of Am	NYSE:PKG	154	13,806	2,783	2.0x	1.6x	1.6x	9.7x	7.1x	8.3x	-5%	11%	-2%	18%	20%	18%
	Graphic Packaging	NYSE:GPK	22	6,845	5,509	1.5x	1.4x	1.3x	10.8x	9.6x	7.0x	5%	6%	4%	12%	14%	19%
	Crown Holdings	NYSE:CCK	88	10,675	7,462	1.8x	1.3x	1.3x	11.0x	54.3x	9.2x	-34%	42%	5%	16%	17%	15%
<b>Mean</b>						<b>1.7x</b>	<b>1.4x</b>	<b>1.4x</b>	<b>22.0x</b>	<b>13.5x</b>	<b>8.1x</b>	<b>-4.7%</b>	<b>13.2%</b>	<b>1.5%</b>	<b>14.3%</b>	<b>14.9%</b>	<b>15.6%</b>
<b>Median</b>						<b>1.6x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>10.9x</b>	<b>9.5x</b>	<b>8.3x</b>	<b>-4.5%</b>	<b>10.4%</b>	<b>1.7%</b>	<b>14.5%</b>	<b>15.7%</b>	<b>16.0%</b>

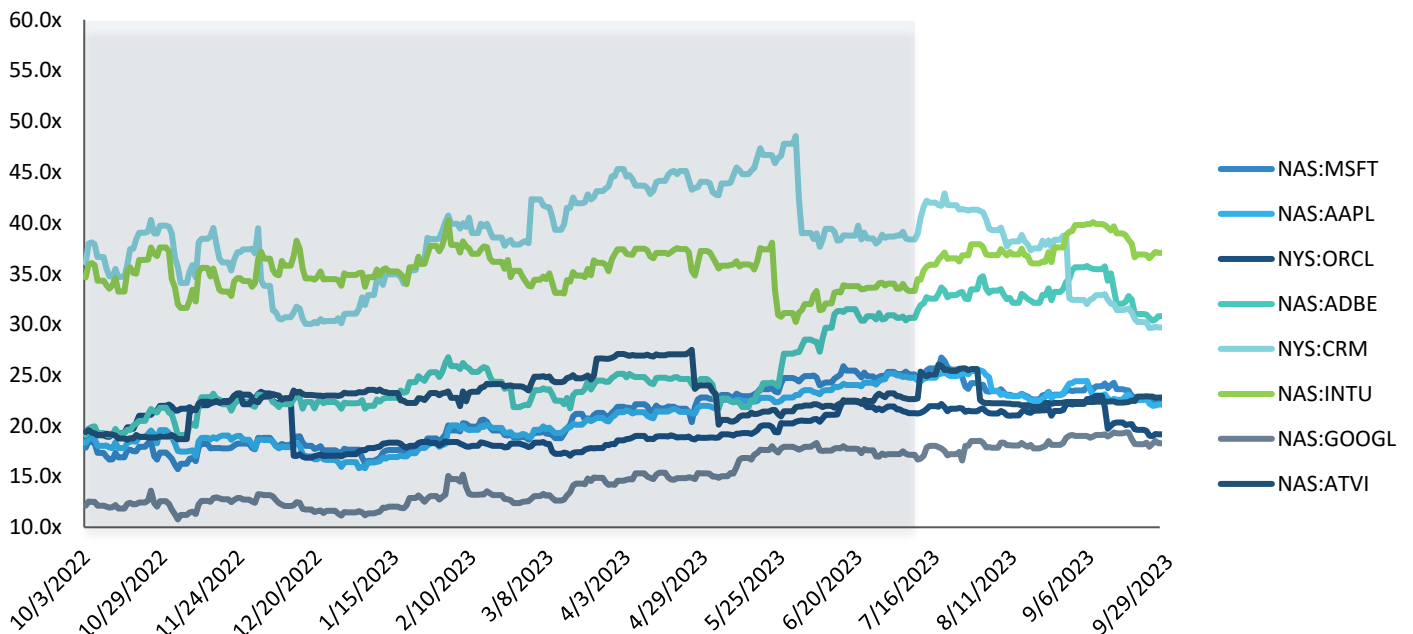
Source: PitchBook Data

# Public Comps

## EV/Revenue



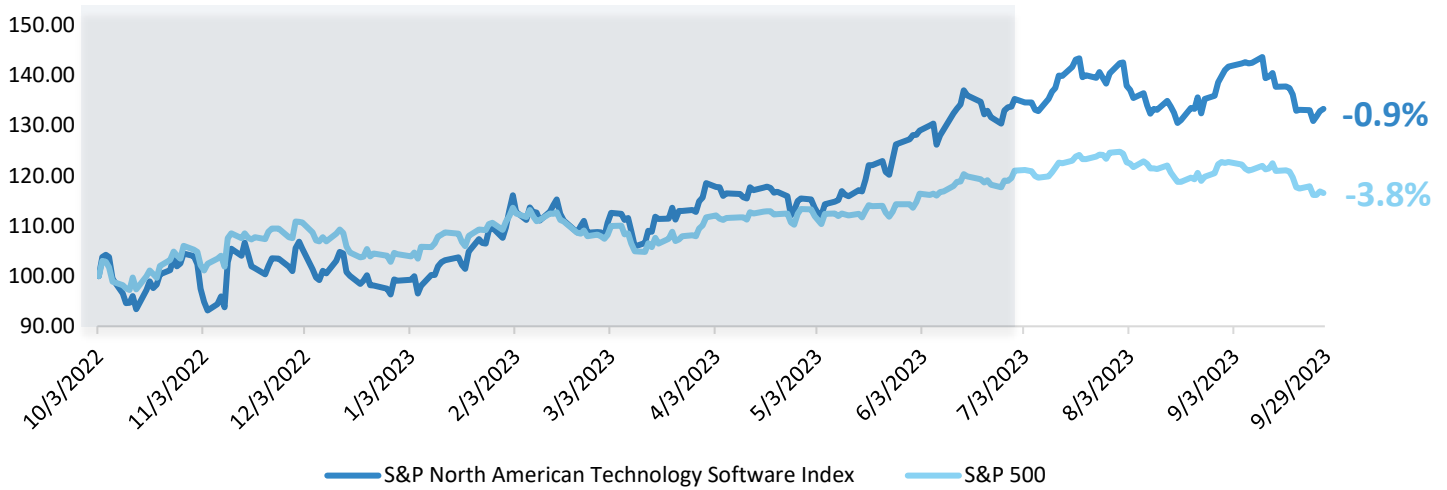
## EV/EBITDA



# Public Markets

## Index Performance

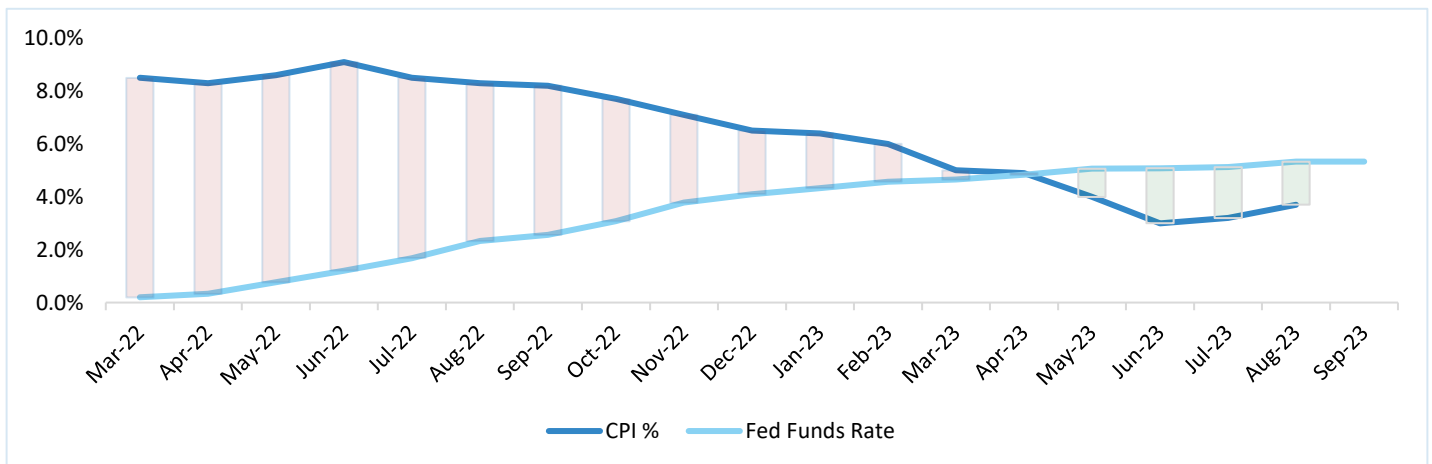
In Q3, the North American Technology Software Industry Index decreased by 0.9% and outperformed the S&P 500, which fell 3.8% over the same period.



## Key External Drivers

Overall, the Software & Tech-enabled Services industry tends to be more stable and resistant to volatility in the broader economy than other industries.

In September 2023, the Federal Reserve decided to keep the Federal Funds Rate stable at 5.3%, signaling a reversal in the trend of the Fed’s increasing rate hikes that we saw from March 2022 to August 2023. The Fed’s recent decision was likely a result of the CPI decreasing from a peak of 9.1% in June 2022 to 3.7% in August 2023. However, the CPI remains above the Fed’s 2% target and indicates we will see another rate hike in 2023, followed by a long pause at 5.4% in 1H 2024 due to concerns that inflation might not fall fast enough. The job market and the economy have remained robust despite these rate hikes as the Fed seeks to guide the economy towards a "soft landing" in an attempt to reduce inflation without causing a recession. An elevated Federal Funds Rate will lower consumer spending and result in lower revenues for the Software & Tech-enabled services sector.



# Industry Trends

## Edge Computing

### *Improving Efficiency with Edge Computing*

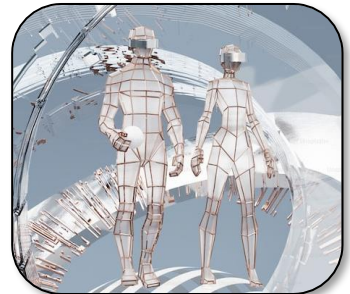
Edge computing has gained significant momentum in recent years as businesses seek to optimize data processing and reduce latency for critical applications. Edge computing enables real-time analytics and decision-making by decentralizing computing resources and placing them closer to data sources.



## Digital Twin Technology

### *Digital Twins Enhancing Predictive Capabilities*

Digital twin technology allows businesses to oversee the performance of an asset, identify potential faults, and make better-informed decisions about maintenance and lifecycle. The projected growth of the digital twin market is estimated to be \$137.7 billion by 2030.



## No-code AI

### *No-code Development Increasing Accessibility of AI*

The rise of no-code AI platforms, such as ChatGPT, simplifies AI development, and enables non-coders to create chatbots and AI applications. This democratization of AI allows a wide range of uses including customer support automation, content generation, and data analysis.



## Sustainable Technology

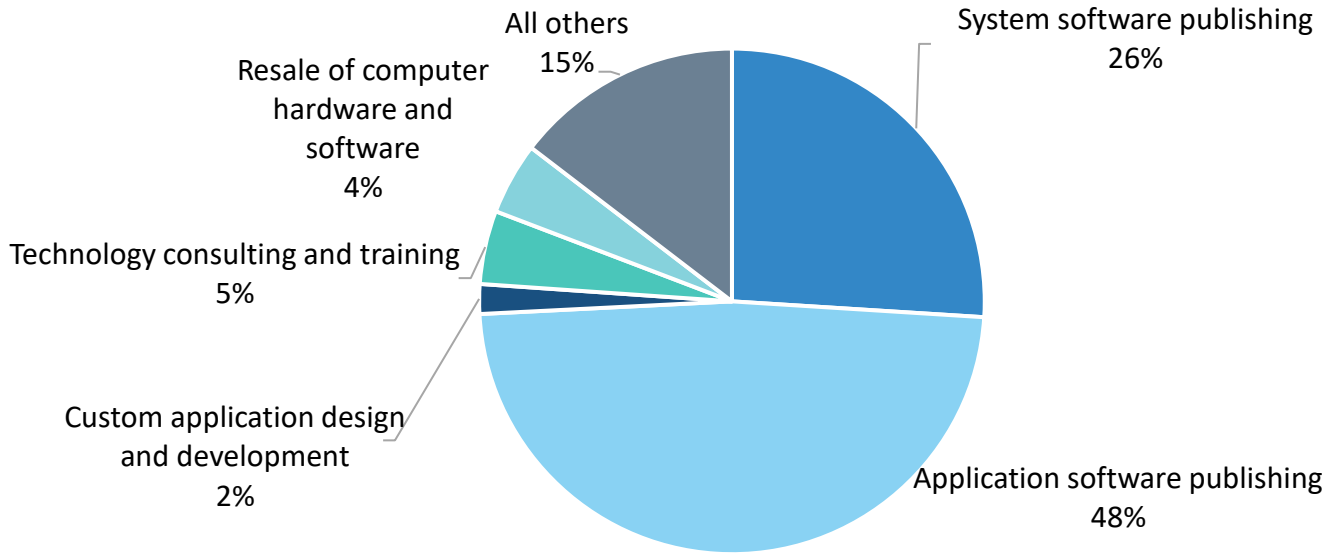
### *Tech Giants Embrace Energy Efficiency*

The total amount of electronic waste generated worldwide is predicted to reach 67 million tons by 2030. Tech manufacturers, such as Apple, Dell Technologies, and HP are producing ENERGY STAR-certified devices. These certifications are administered by the USEPA and DoE to help consumers identify products with superior energy efficiency.

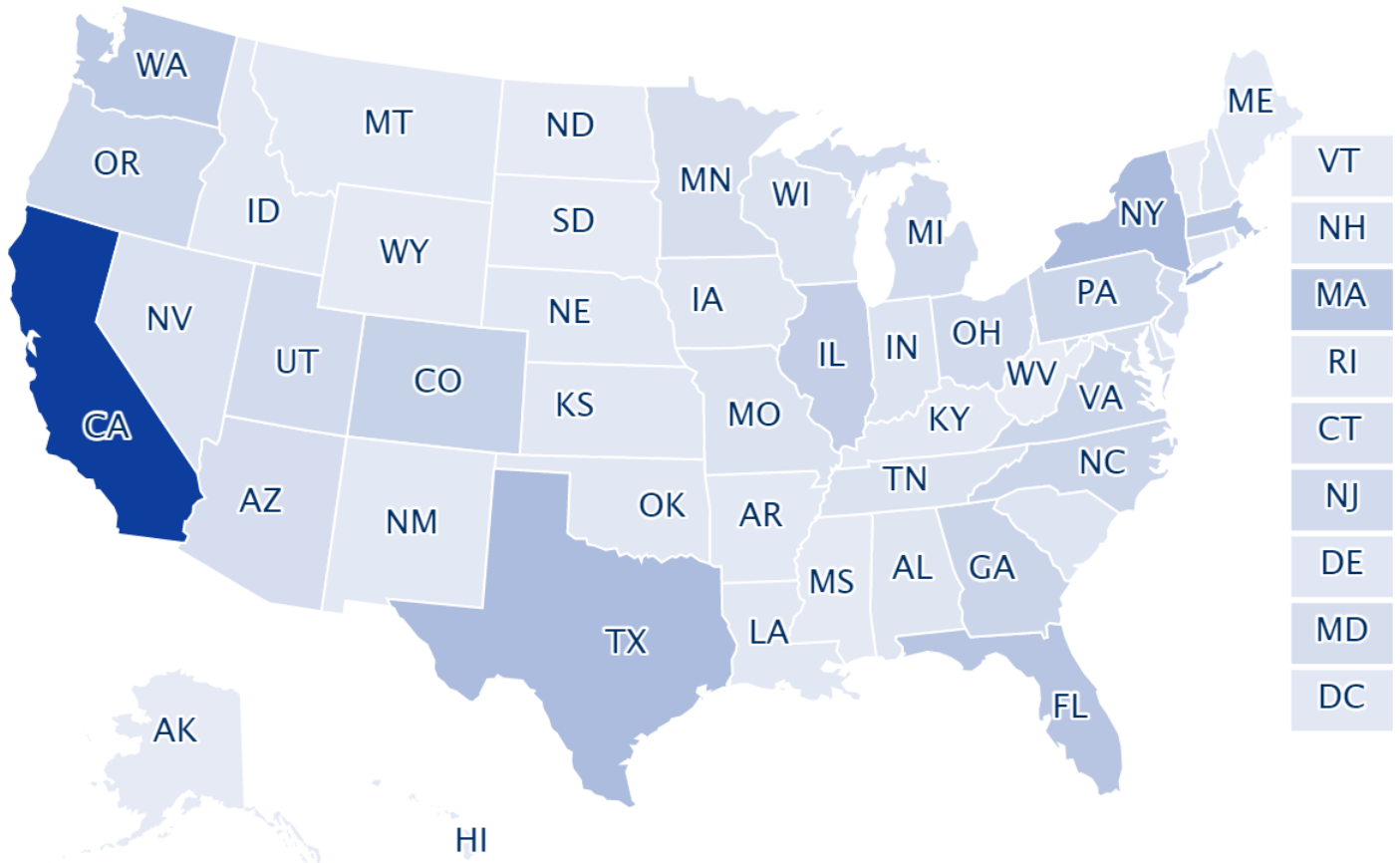


# Industry Outlook

## 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.



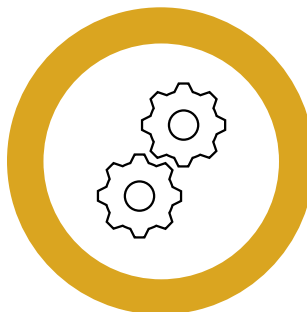
## Buy-Side Advisory: Buy a business

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.

# Selected Transactions

Over the years, R.L. Hulett has completed hundreds of transactions in a wide variety of industries. Below are several relevant transactions in the Software & Tech-enabled services sector. Please note that this list is not comprehensive.



Sold substantially all of its assets to





Sold substantially all of its assets to





Has completed a recapitalization with





Has been acquired by





has acquired





Has been acquired by

SPELL CAPITAL



## Our Team



**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.



## Our Team



**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.



**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 Team



**Ryan Hartman**  
Senior Analyst  
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Ryan provides analytical support for senior-level deal managers and, as a senior analyst, supervises the preparation of confidential memorandums, financial models and industry research reports. Ryan graduated with a Bachelor of Science degree 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.



**Charlie Meier**  
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Charlie provides transaction support for senior-level deal managers including financial modeling, valuations, industry research, offering memorandums and a variety of presentations. He graduated with a Bachelor of Science in Business Administration Degree with a major in finance and banking from the Trulaske College of Business, University of Missouri. Prior to joining the firm, Charlie worked as an investment analyst for the University of Missouri's Investment Fund Management Program. During his time at University of Missouri, Charlie was elected as Recruitment Chairman for the Phi Delta Theta Fraternity and took extensive courses in Banking.



**Lynda Hulett**  
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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**

### Disclaimer

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