



**Software & Tech-Enabled Services
M&A Update**

Q3 2024

Software & Tech-Enabled Services M&A Update

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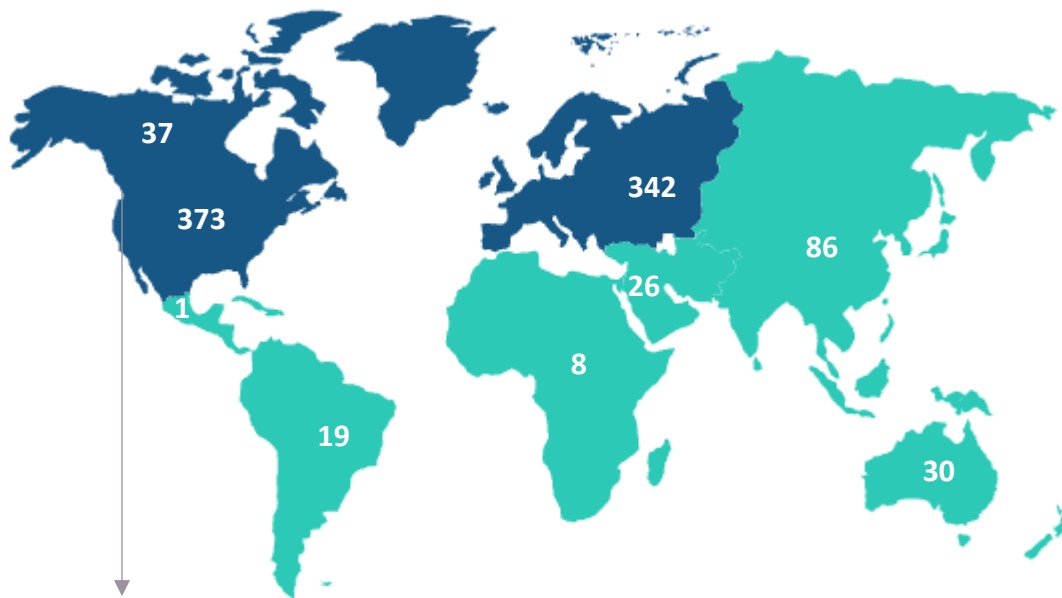
REPORT HIGHLIGHTS

- In Q3, the North American Technology Software Industry Index increased by 2.0%, but was outperformed by the S&P 500 which increased 4.5% over the same period.
- The median EV/Revenue multiple for reported private equity deals increased to 4.96x in 2024 from 4.83x in 2023 but decreased for strategic deals to 2.93x from 3.65x in the prior year.
- M&A deal volume in the Software & Tech-Enabled Services sector increased 1.3% in Q3 to 922 deals from 910 deals in Q2 and increased 8.3% from 851 deals in Q3 of the prior year.
- As a % of total capital invested in M&A transactions, PE participation increased YTD through Q3 to 39.3% from 28.9% in 2023.
- North America was the most active region in Q3 with 410 deals. Most notably in the North American market was Renesas Electronics' \$6.1 billion acquisition of Altium, a provider of software for the design of printed circuit boards, in August 2024.



For more information on R.L. Hulett or this report please visit our website at rlhulett.com, call us at (314) 721-0607, or contact a professional listed on this page.

Of the 922 deals in the Software & Tech-Enabled Services sector in Q3, North America was the most active with 410. A notable North American deal (in addition to the Altium deal mentioned on the previous page) was IBM’s \$2.1 billion acquisition of StreamSets, a developer of a data integration platform designed to build and run smart data pipelines, in July 2024. Europe was the second most active with 342 transactions and all other regions combined for a total of 170 deals.



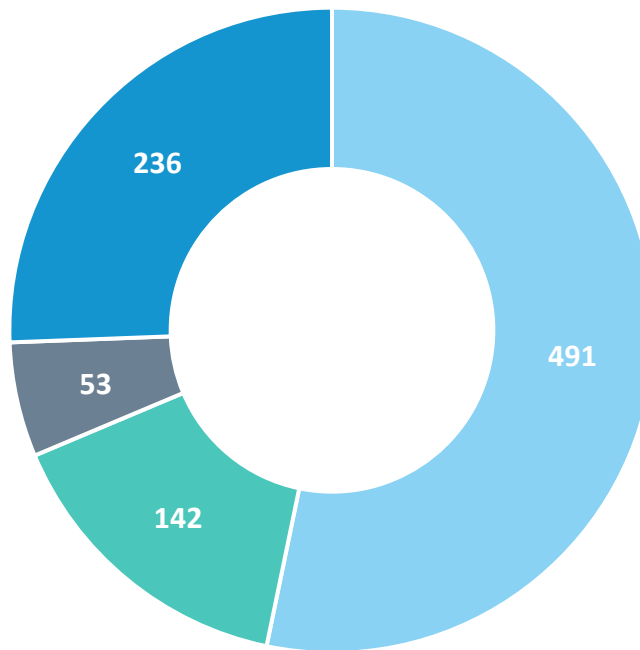
Canada:	37
United States:	373
West Coast:	92
Mid Atlantic:	84
Southeast:	47
South:	44
Others:	106

In the U.S. market, the West Coast region was the most active area with 92 deals, followed by the Mid Atlantic and Southeast with 84 and 47 closed transactions, respectively. In addition to the Altium and StreamSets deals, which are both based out of California, another notable transaction in the West Coast region was Avenue Capital Group’s \$250.0 million acquisition of Cosm, a Los Angeles-based developer of a global technology entertainment platform, in July 2024. The South region reported 44 deals and all other U.S. regions combined for a total of 106 completed transactions.

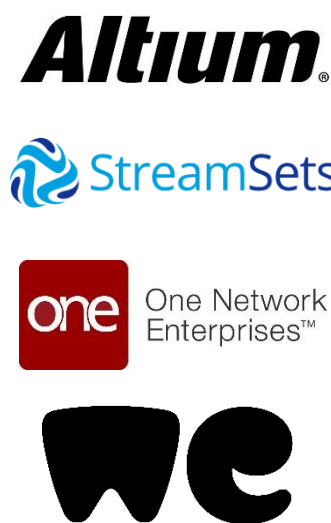
Outside of the U.S. in the North American market, 37 transactions closed in the Canadian market and 1 was reported in Mexico in Q3 2024.

Of the 922 Software & Tech-Enabled Services deals in Q3, 491 deals were in the Business/Productivity subsector, making it the most active from an M&A volume standpoint. Fintech was the second most active with 142, followed by Entertainment with 53 reported deals. All other transactions combined for a total of 236 deals in the quarter.

Deal by Subsector



Business/Productivity



Fintech



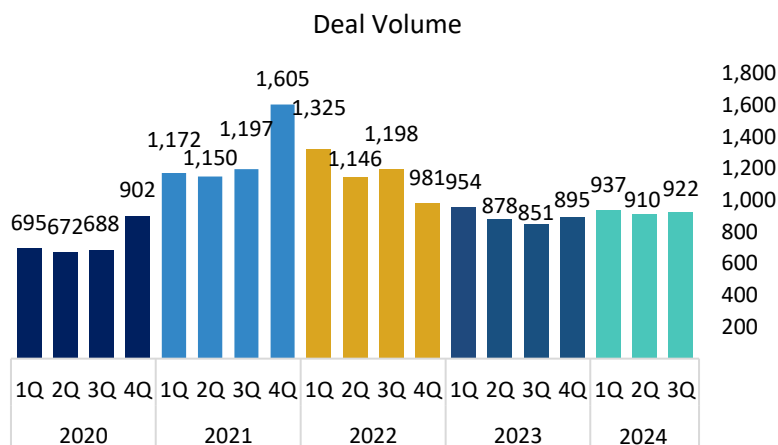
Entertainment



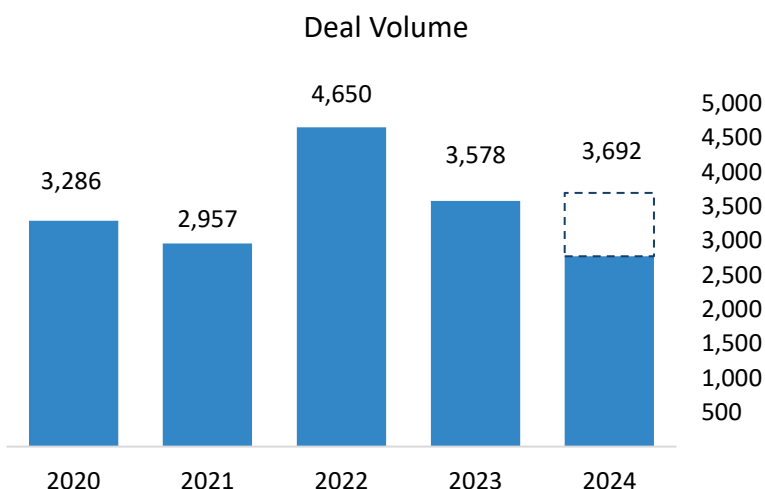
Other



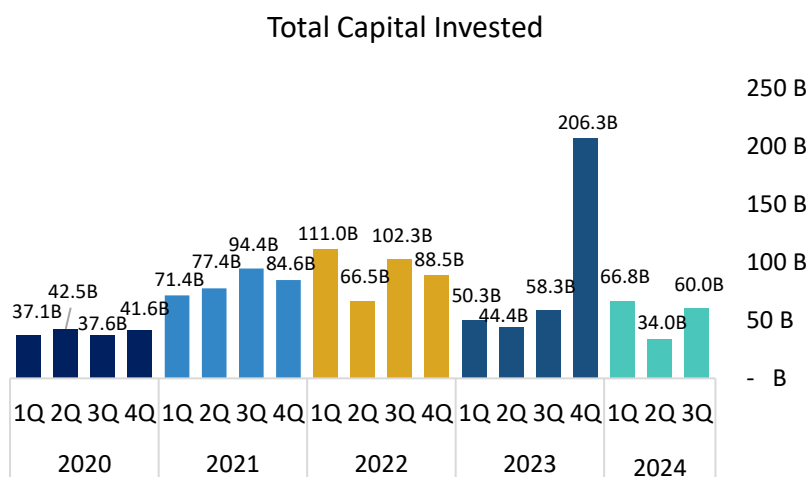
Deal volume in the Software & Tech-Enabled Services sector increased 1.3% in Q3 to 922 deals from 910 deals in Q2, and increased 8.3% from 851 deals in Q3 of the prior year. Q3 represents a continuation of the trend of mostly steady deal volume seen since Q2 2023.



Based on activity through Q3, M&A deal volume is anticipated to see a 3.2% increase to 3,692 deals in 2024 from 3,578 in 2023. We attribute this uptick in deal volume to a sluggish deal environment in 2023 coupled with a more positive outlook on future market conditions in the coming quarters, with the Fed cuts in interest rates and the election moving to the rearview mirror.

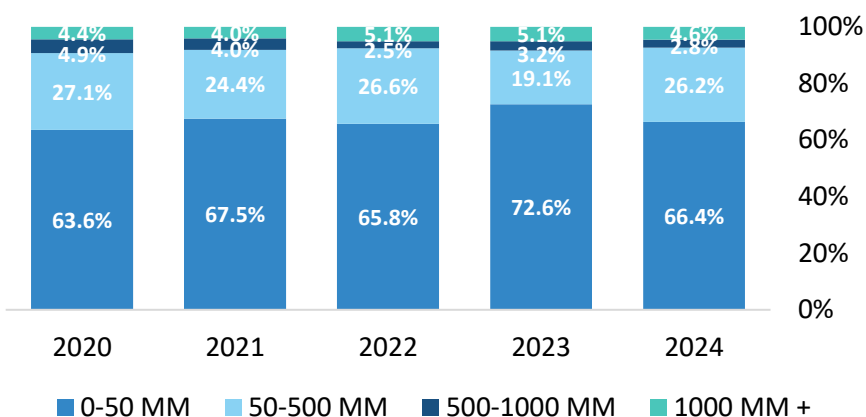


Total capital invested in M&A deals in the Software & Tech-Enabled Services sector increased to 76.5% in Q3 to \$60.0B from \$34.0B in Q2, and increased 2.9% from \$58.3B in Q3 of the prior year. Q3 marks a shift in mix toward larger-sized deals as 9 transactions were reported above \$1.0 billion totaling \$48.1B in total transaction value. Comparatively, 7 deals were reported in Q2 above \$1.0 billion totaling \$19.5B in transaction value.



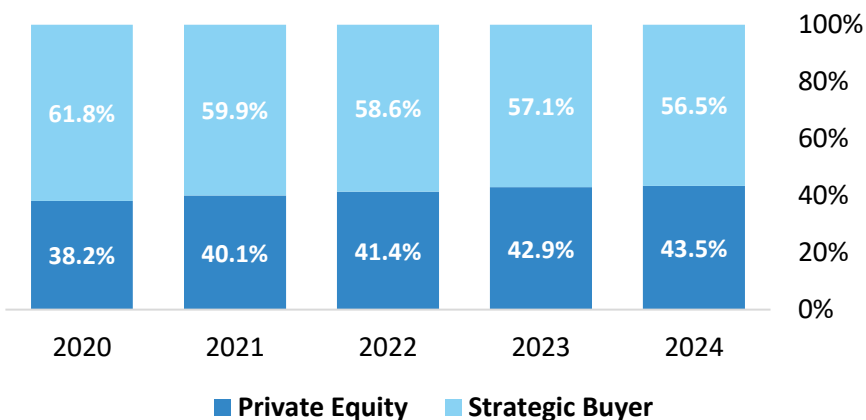
YTD through Q3, we generally saw a shift towards larger-sized deals, specifically in the middle market (\$50 - \$500 MM), which increased to 26.2% from 19.1% in the prior year. The upper middle (\$500 - \$1000 MM) and large cap (\$1000 MM+) tranches of the market decreased to 2.8% and 4.6% in 2024 from 3.2% and 5.1% in 2023, respectively. The lower middle market (\$0 - \$50 MM) decreased significantly to 66.4% from 72.6% in the prior year.

Deal Volume by Deal Size



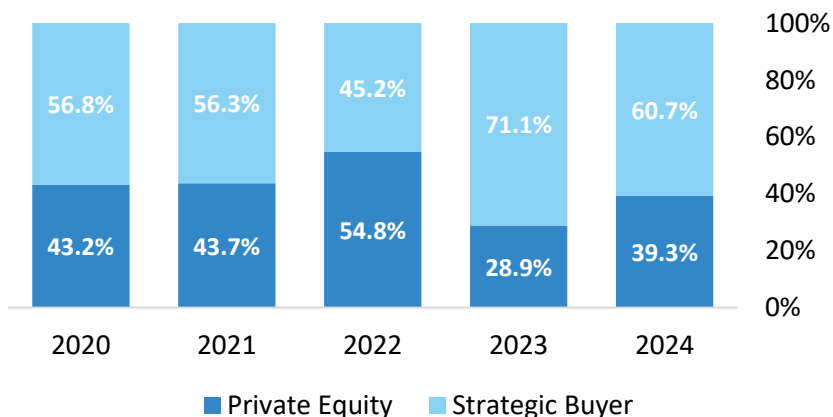
As a % of total deal volume, PE buyers have trended slightly higher so far in 2024 relative to strategic buyers, representing 43.5% of deal volume in the sector and up from 42.9% in 2023. YTD Q3 2024 continues the trend of increasing PE participation that we've seen each year since 2020.

Deal Volume by Acquirer



Following the trend in deal volume, total capital invested by PE investors (as a % of overall capital invested) increased in YTD 2024 to 39.3% from 28.9% in 2023. This trend seems indicative of Private Equity's increased appetite for exposure to the higher risk Software & Tech-Enabled Services sector given broader macro conditions are anticipated to improve in the coming quarters.

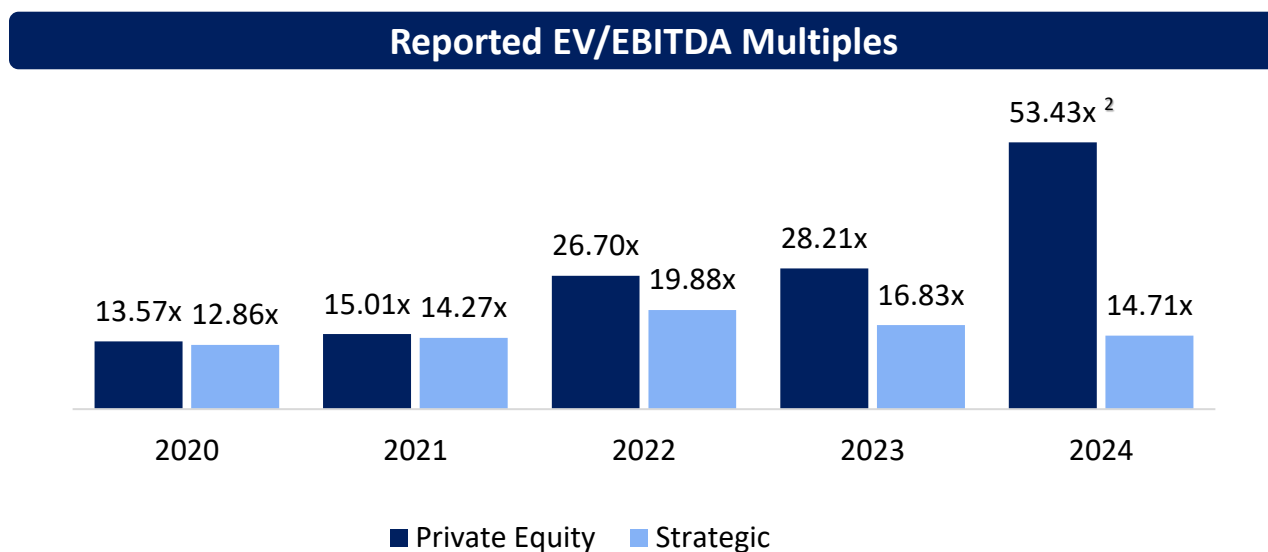
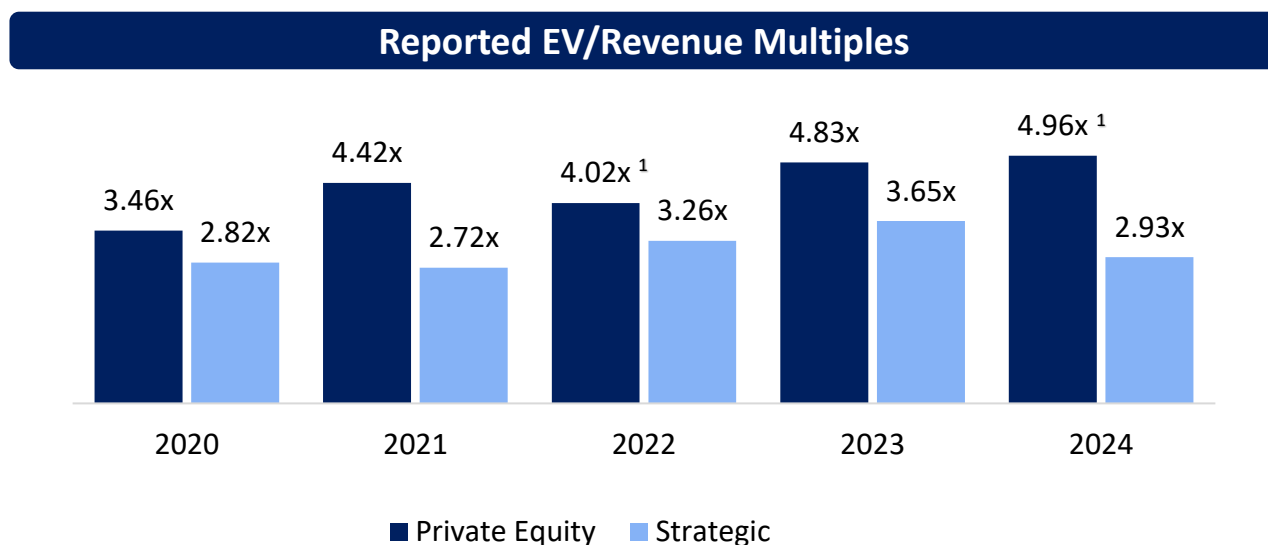
Total Capital Invested by Acquirer



The median EV/Revenue multiple for reported private equity deals increased to 4.96x in 2024 from 4.83x in 2023, but decreased for strategic deals to 2.93x from 3.65x in the prior year.

The median EV/EBITDA multiple for reported private equity deals increased to 53.43x in 2024 from 28.21x in 2023, but decreased for strategic deals to 14.71x from 16.83x in the prior year.
















2024 marks the highest level of median EV/Revenue and EV/EBITDA multiples for PE buyers in the last 5 years.















¹ The EV/Revenue multiples listed for Private Equity buyers exclude outliers.

² The EV/EBITDA multiples listed for Private Equity buyers exclude outliers.

Active Strategic Investors










Investor	YTD Software Inv.	Select Targets
 AUTODESK	6	   
 salesforce	5	   
 TXT	5	   

Active Private Equity Investors

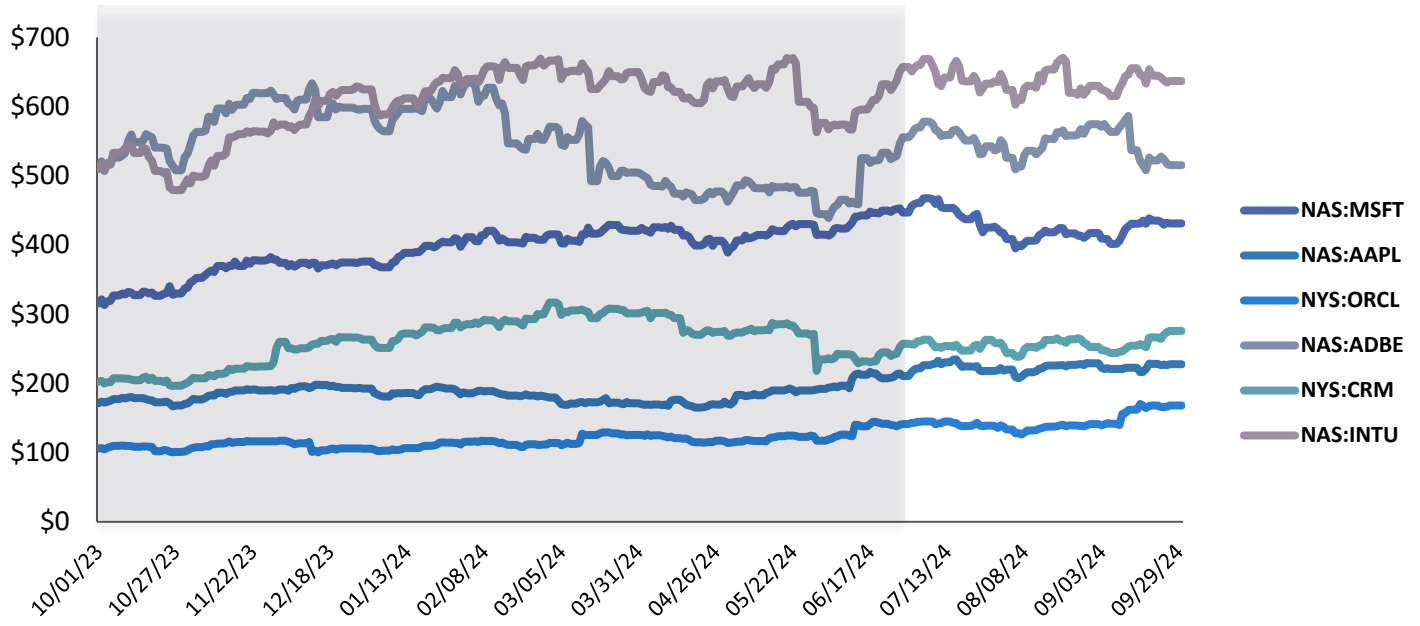
Investor	YTD Software Inv.	Select Targets
KKR	17	   
Blackstone	15	   
THE CARLYLE GROUP	6	   

Largest Deals (Disclosed)

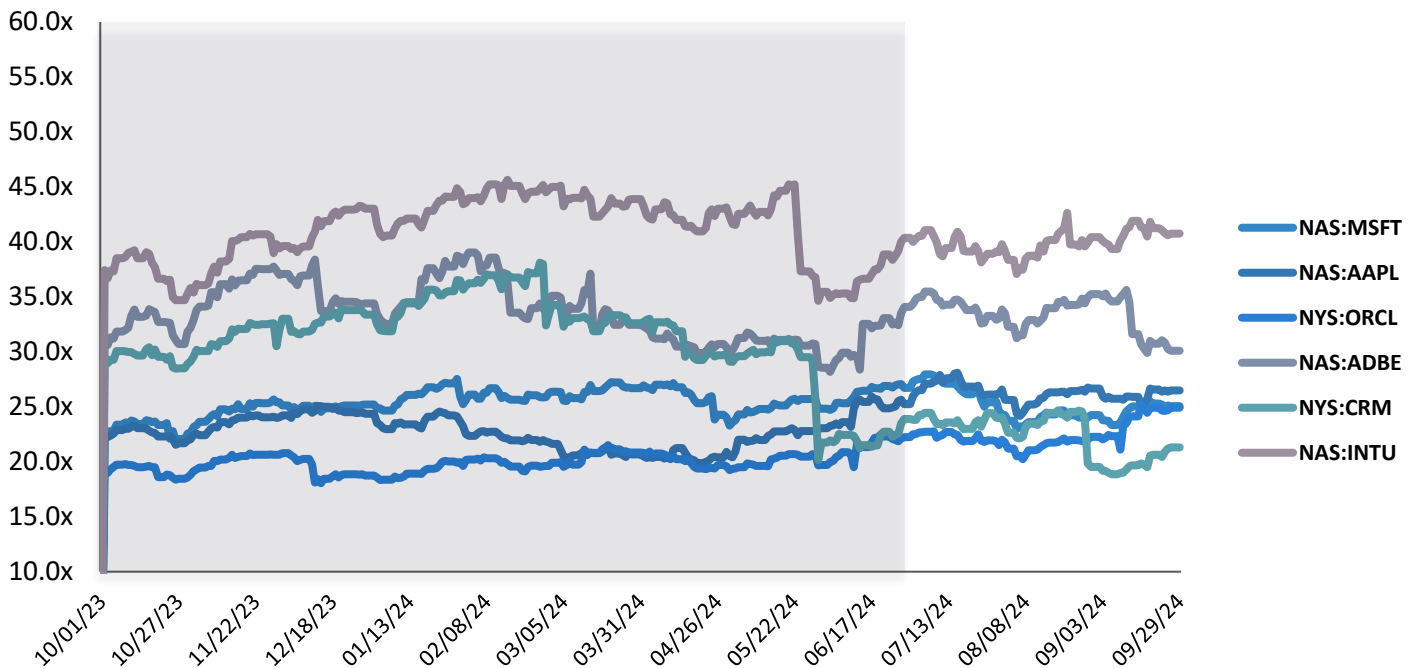
Date	Company Name	Investor	Deal Type	Deal Size (\$mm)	EV		Target Business Description
					Revenue	EBITDA	
24-Sep-2024	IQGeo	Kohlberg Kravis Roberts	Buyout/LBO	\$ 438.7			IQGeo Group PLC is a provider of mobile geospatial software.
13-Sep-2024	NeoPay	Arcapita, DgPays	Buyout/LBO	385.0			Developer of an online payment and loyalty platform intended to convert point-of-sale to end-of-service.
12-Sep-2024	WalkMe	SAP	Merger/Acquisition	1,500.0	4.40x		Provider of a software solution enabling organizations to realize the value of software investments.
10-Sep-2024	Redwood Software	Warburg Pincus	Buyout/LBO	2,500.0			Developer of enterprise automation software designed to help businesses focus on agility, cost-efficiency, and customer experiences.
30-Aug-2024	Capita One	Orchard Information Systems	Merger/Acquisition	267.6			Provider of software services across the United Kingdom public sector.
29-Aug-2024	BioCatch	Macquarie Capital, Permira	Buyout/LBO	723.4	7.23x		Developer of behavioral biometric technology designed for digital fraud detection.
28-Aug-2024	TicketNew	Zomato	Merger/Acquisition	12,646.0			Developer of an online ticket-booking platform intended to simplify the ticket-buying experience.
27-Aug-2024	Insider.in	Zomato	Merger/Acquisition	7,838.0	218.48x	2,237.50x	Operator of an events platform intended to help discover events, travel, and food.
15-Aug-2024	Illion	Experian	Merger/Acquisition	539.9			Developer of financial data and analytics software intended to serve clients in the financial services, telecommunications, utilities and government sectors.
01-Aug-2024	Altium	Renesas Electronics	Merger/Acquisition	6,073.8			Provider of specialized software for the design of printed circuit boards.
01-Aug-2024	One Network Enterprises	Blue Yonder	Merger/Acquisition	839.0			Developer of a cloud business platform designed for autonomous supply chain management.
31-Jul-2024	WeTransfer	Adjacent	Buyout/LBO	759.7			Developer of a cloud-based file transfer platform designed to offer an effortless transfer of ideas from one mind to many.
15-Jul-2024	Yandex	Soliid	Merger/Acquisition	5,400.0	0.30x	4.57x	Provider of infrastructure and services to AI builders globally.
09-Jul-2024	Nasuni	Kohlberg Kravis Roberts	Buyout/LBO	1,200.0			Developer of an enterprise cloud storage and file-sharing platform designed to solve the file data growth challenge for enterprise customers.
09-Jul-2024	Landvault	Infinite Reality	Merger/Acquisition	450.0			Operator of virtual video game strategy intended to accelerate the metaverse economy.
02-Jul-2024	Everbridge	Thoma Bravo	Buyout/LBO	1,800.0	3.71x	166.54x	Provider of enterprise software applications that automate and accelerate organizations' operational response to critical events.
01-Jul-2024	ByteDance	AR Audit & Research, K5 Ventures	PE Growth/Expansion	9,500.0			Developer of mobile applications designed for online media, online entertainment, and social networking.
01-Jul-2024	StreamSets	International Business Machines	Merger/Acquisition	2,130.0			Developer of a data integration platform designed to build and run smart data pipelines.
01-Jul-2024	GoCanvas	Nemetschek Group	Merger/Acquisition	700.0	10.45x		Developer of a cloud-computing SaaS platform designed to help companies quickly address the challenges of running and growing their business.
Mean				2,931.1	40.76x	802.87x	
Median				1,200.0	5.82x	166.54x	
High				12,646.0	218.48x	2,237.5x	
Low				267.6	0.3x	4.57x	

Target	Investor	Driver	Deal Synopsis
		Merger/ Acquisition	<p>TicketNew, an Indian developer of an online ticket-booking platform that simplifies the ticket-buying experience, was acquired by Zomato for \$12.6 billion in August 2024. The acquisition aligns with Zomato's mission to build products and services that power India's changing lifestyles.</p>
		Merger/ Acquisition	<p>Altium, a California-based provider of specialized software for the design of printed circuit boards, was acquired by Renesas Electronics for approximately \$6.1 billion in August 2024. The combination sets the foundation for both the companies to create an innovative electronics system design and lifecycle management platform.</p>
	 	Buyout/ LBO	<p>Redwood Software (“Redwood”), a Texas-based developer of enterprise automation software, entered into a definitive agreement to be acquired by Vista Equity Partners and Warburg Pincus through a \$2.5 billion LBO in September 2024. The transaction will enable Redwood to deliver even more customer value and efficiency as the demand for automation solutions capable of spanning multiple data, application, and cloud environments continues to accelerate.</p>
		Buyout/ LBO	<p>Everbridge, a Massachusetts-based provider of enterprise software, was acquired by Thoma Bravo for \$1.8 billion in July 2024. The acquisition represents a strategic move to expand Thoma Bravo’s presence in the cybersecurity and critical event management markets.</p>

Stock Price

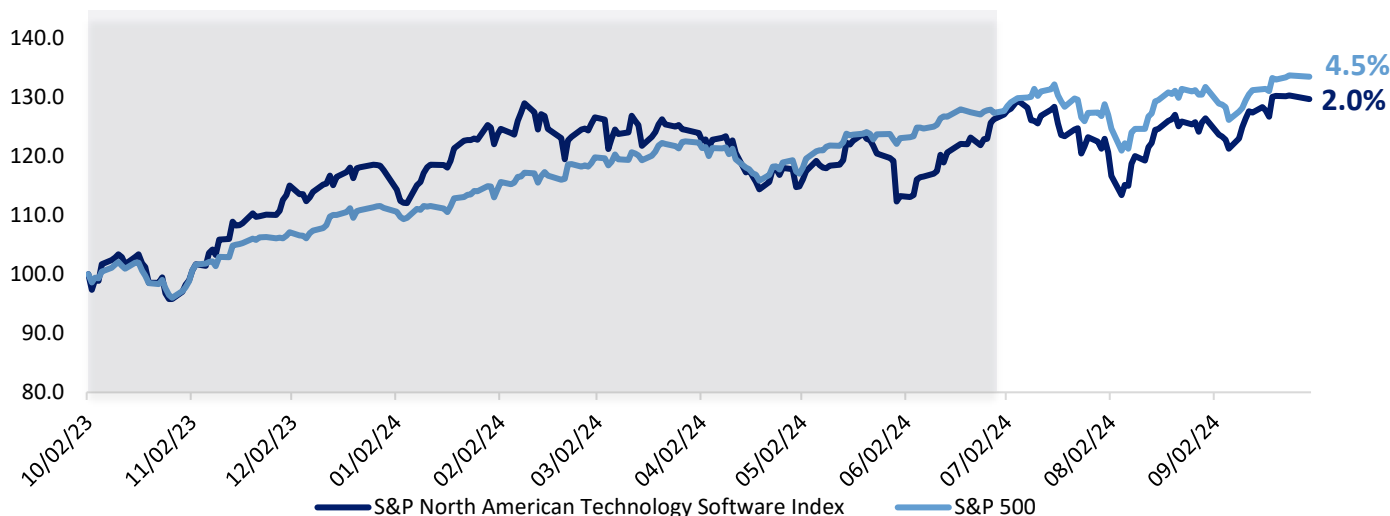


EV/Revenue



Index Performance

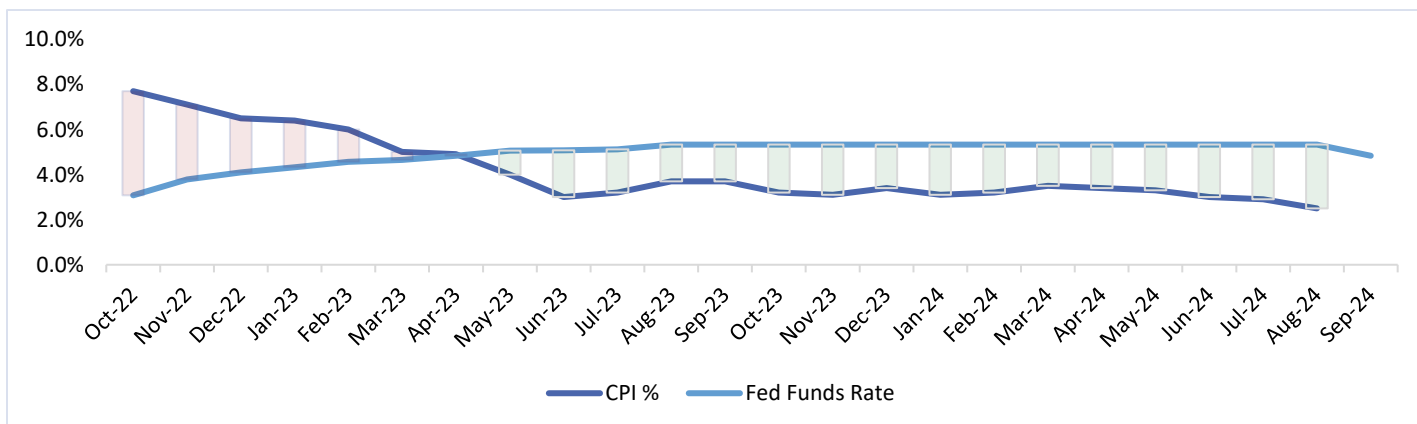
In Q3, the North American Technology Software Industry Index increased by 2.0%, but was outperformed by the S&P 500 which increased 4.5% over the same period.



Key External Drivers

Although tech giants like Microsoft Corp., Apple Inc., Nvidia Corp., Alphabet Inc., and Amazon.com Inc. have driven over half of the S&P 500's gains this year, only Microsoft Corp. ranks among the top ten constituents by index weight in the North American Technology Software Industry Index. This indicates that while mega-cap tech stocks have led the market rally, many software firms have not experienced the same level of investor enthusiasm.

The Federal Reserve implemented its first interest rate cut in more than four years following a mid-September meeting, lowering the federal funds rate by 0.50%. This marks the start of what many economists predict will be a series of cuts over the next 1-2 years. The decision comes after a year of holding rates steady in the 5.25% to 5.50% range, following 11 rate hikes between March 2022 and July 2023 aimed at combating record inflation. With inflation now closer to the Fed's 2% target, many experts anticipate further rate cuts through 2025. This move could ease borrowing costs, potentially narrowing the gap between seller expectations and buyer offers in M&A transactions, which may lead to increased deal volume.



Emerging trends in the Software & Tech-Enabled Services space:



Progressive Web Apps

Big brands back PWAs

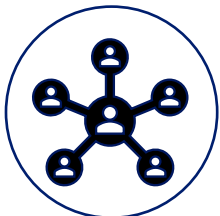
Progressive web apps (“PWAs”) are designed to be fast, reliable, and engaging. They seamlessly integrate the best features of modern web and mobile technologies. In 2023, both Apple and Microsoft gave a strong thumbs-up to this technology. This indicates that PWAs are gaining substantial support and securing their presence in the market.



AI Cybersecurity

Maintaining user safety

Artificial Intelligence (AI) is critical in enhancing cybersecurity by automating complex processes for detecting and responding to threats. AI systems can analyze vast amounts of data for abnormal patterns, predict potential threats, and implement real-time defenses. This trend is crucial in addressing cyber attacks' increasing sophistication and frequency.



5G Technology

5G connectivity is now experiencing widespread adoption

5G networks allow enterprises to increase the number of connected devices in their business processes and leverage value from faster data processing. Notably, 5G is fueling digital transformation across various sectors such as municipalities, healthcare, logistics, and manufacturing. The application of 5G becomes particularly crucial in facilitating remote surgery and maintenance of industrial machinery in hazardous conditions.



Internet of Things (IoT) in Smart Cities

Population growth managed by IoT

IoT technology in smart cities involves the integration of various sensors and devices that collect data to manage assets, resources, and services efficiently. This includes monitoring traffic and public transport to reduce congestion, using smart grids to optimize energy use, and implementing connected systems for emergency services. As cities continue to grow, IoT helps manage improve the living conditions of residents.



Proven, Professional, Principled.

Investment Bankers for the Middle Market

About

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 280 transactions in a variety of industries including Software/Tech-Enabled Services, Business Services, Food & Consumer, Packaging, Transportation & Logistics, Healthcare and Industrials. 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.

Our Clients

\$10 - 250MM
Revenue

\$2 - 20MM
EBITDA

Middle Market
Privately Owned

Industries Served



**Software &
Tech-Enabled
Services**



Healthcare



**Plastics &
Packaging**



Industrials



**Transportation
& Logistics**



**Food &
Consumer**





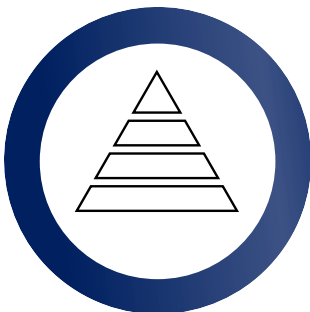
Sell-Side Advisory: Sell your business

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.



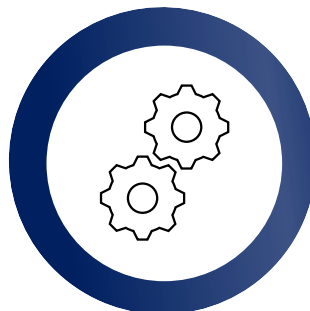
Buy-Side Advisory: Buy a business

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.

Below are two recent transactions facilitated by R.L. Hulett, showcasing our expertise in the Software & Tech-Enabled Services sector. Each transaction exemplifies our commitment to delivering exceptional value and strategic growth for our clients.



has been acquired by



The Seller: Based in O'Fallon, Illinois, Secure Data, Inc. ("SDI") develops custom financial software applications for the United States Air Force under a number of long-term contract vehicles with various contracting command centers. The Company also designs and implements enterprise solutions for corporate clients to automate and integrate business processes.

The Buyer: Headquartered in Jacksonville, FL, Emtec is a systems integrator providing IT services and products to the federal, state, local, education and commercial markets.

Transaction Rationale: SDI adds critical project-based application development capabilities for Emtec in the U.S. and will be a cornerstone of its application services practice in the U.S. In addition, the acquisition enhances Emtec's presence in the Midwest. SDI is a strategic regional complement to Emtec's current office in the Chicago suburb of Naperville, Illinois and will increase the Emtec's ability to offer its full portfolio of services in the region.



has sold substantially all of its assets to



The Seller: Federated Software Group ("FSG") is a leading custom software engineering firm providing system development and related services to several mission-critical command & control and logistics systems operated by major commands within the U.S. Department of Defense.

The Buyer: Boeing, a leading aerospace & defense contractor with over \$73 billion in annual revenue, saw a fit for FSG within its integrated defense contracting platform under a company it had previously acquired called Tapestry Solutions.

Transaction Rationale: This acquisition expands Boeing's strategy to significantly expand their presence in the logistics command and control marketplace with FSG's existing contracts and customer relationships.

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



Has been acquired by



PohlmanUSA

Has completed a recapitalization with



Sold substantially all of its assets to



GADELLNET
accessible IT solutions

Has acquired



Has been acquired by

SPELL CAPITAL



R. Trevor Hulett, CPA
Managing Director

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

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.



Ron Litton
Director

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

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.



Ryan Hartman
Senior Analyst

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
Analyst

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
Marketing

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.



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