



Software & Services M&A Report - Q3'22

A Rollercoaster Ride for Software Markets

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It has been a disconcerting journey through the first three quarters of 2022. We ended 2021 having survived another year of the pandemic, with equity markets at or near all-time highs, interest rates near historic lows, and technology M&A activity at record levels. 2022 has seen rising inflation and interest rates, twin global disruptions in Ukraine (invasion) and China (shutdowns), and an overall economic slowdown. The return of a “risk off” mindset, combined with increasing discount rates, impacted software M&A and the NASDAQ even more than the wider market. After ending the 2nd quarter down nearly 30%, the NASDAQ had bounced back to a “mere” 16% decline in mid-August, only to retrace and surpass the earlier lows at the end of September. As public market valuations fell, SPACs evaporated and other buyers began to reevaluate the need to pay nose-bleed multiples. This has led to a significant drop in software M&A, with each consecutive quarter showing a decline from the last.

In Q3, the pattern we’ve continued to see is fairly typical of a market reset – bifurcation. The first area of bifurcation is between the large cap and middle market Tech M&A markets. Big Tech, is often much more susceptible to broader economic swoons and who may rely more heavily on debt for acquisitions, has seen a significant slowdown so far this year in deals over \$1 billion in size, with only 15 in the third quarter. However, deal activity in the mid-market and growth market continues to be solid, at least among the highest-quality companies (i.e. – leading positions in growing markets, clear Rule of 40+, achieved critical mass or younger with high growth rates).

These top-tier companies are still receiving multiples at, or near, the levels we saw six to twelve months ago. However, valuations for even these companies may eventually contract, either in sympathy with the public markets or simply because of decreasing growth and profitability. So far it appears that buyers and sellers still want to transact, and the traditional glut of post-Labor Day deals has been well received despite continued hawkishness from the Fed. So much for the top decile; the “average” software company is quite likely to see demand settle out at valuations anywhere from slightly to somewhat meaningfully lower than 2021. That said, valuations are still historically strong. Buyers and sellers are both at risk of over-caution, with buyers missing out on high-quality assets and sellers forever regretting selling too early rather than too late.

This bifurcation suggests several potential strategies for software and tech-enabled services businesses, as well as for the investor community. First and foremost, at the risk of being perceived (rightly) as investment bankers only too eager to push companies into market, high-quality companies who have not sought to take money off the table in the last several years should consider whether to continue to wait is a sustainable strategy. As noted above, multiples for these companies have perhaps declined by few turns of revenue from the highs of 2022, but they remain robust relative to historical averages. If the market decline continues, and if capital continues to become more expensive, the receding tide will sink all boats. The most confident management teams will sleep better at night after taking some money off the table.

The counterpart to this, for investors, suggests that minority and slight majority deals may become relatively more important in the current environment. Attempting to overcome buyout resistance may not be fruitful, but approaching the market with a “have your cake and eat it too” offering could enable investors to take meaningful positions in technology leaders who may not otherwise be available. Given the amount of capital still sloshing around, putting the capital to work in

A Rollercoaster Ride for Software Markets continued

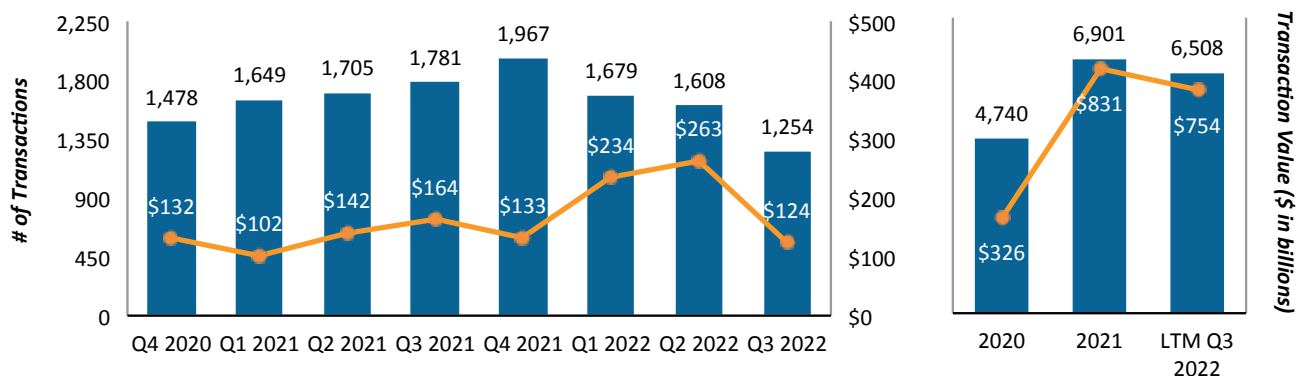
a way that keeps LPs happy should be an efficient use of time for the middle market investor. Similarly, mid-sized funds that need to realize a print to raise the next fund / keep LPs off their backs / sleep through the night would do well to consider selling a portion of their position to a larger fund. This sentiment was repeated on our recent trip to New York and Chicago, and we believe in it. An interesting and related opportunity has also emerged for investors taking secondary positions in private equity and growth equity from LPs who may need liquidity – perhaps to invest in the next fund, perhaps to make up for shortfalls in other strategies.

Now for the B grade companies: we anticipate that successful businesses that do not qualify under the top tier rubric may still have reason to raise primary capital and/or take liquidity. On the primary side, the standard advice to seek capital before you need it has never been more true. B companies that have the opportunity to take advantage of opportunities by investing in sales or development (or buying weaker competitors) will regret failing to seize the moment. Still, capital has become more expensive. The traditional remedy is going to come back into fashion: structure.

We are guilty of hypocrisy to an extent in conceding that structure can indeed bridge gaps in valuation. In the current circumstances, particularly when days must be seized, negotiate for the best terms (low coupons, participation that diminishes with growth, etc) and seize away. Similarly, for capital providers, structure can protect on the downside – with the caveat that nobody wants a miserable partner who takes money they later regret.

For C companies, there may be no alternative to a down round. It is better than bankruptcy, live to fight another day, etc. For those investors who dare to fight through board dynamics, we salute you.

Software M&A Deal Values and Volume



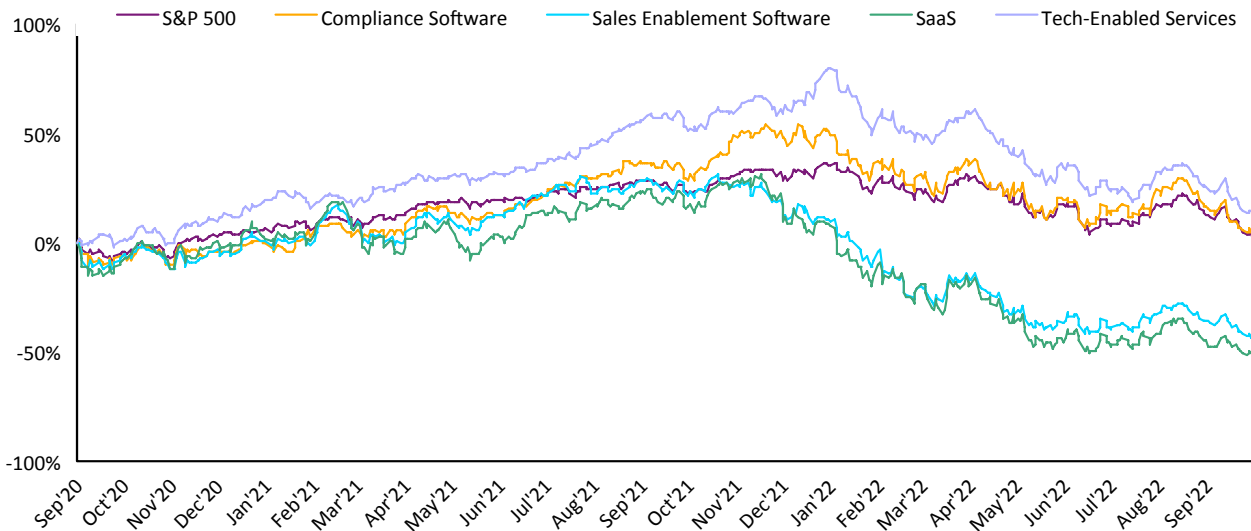
Christopher Park
 Managing Director
 Head of Software & Services

Jeff Becker
 Managing Director
 Software & Services

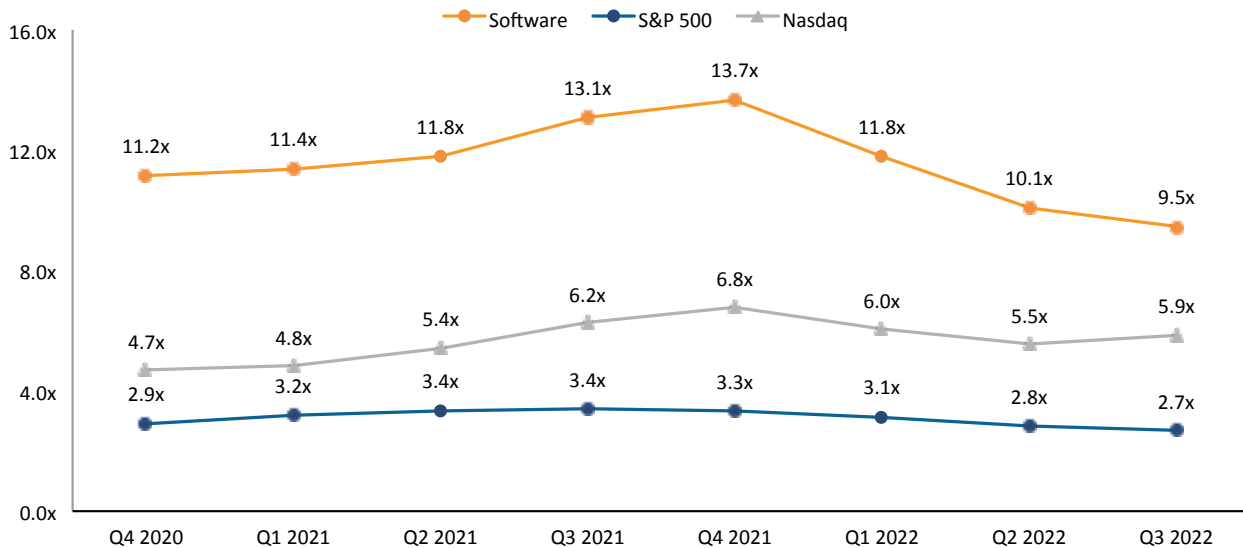
Josh Moses
 Managing Director
 Software & Services

Publicly Traded Companies – Software Valuation Trends

Public Stock Price Index Growth



Public Software Enterprise Value / LTM Revenue Multiples



Deal Spotlight



Thoma Bravo Takes Ping Identity Private in Continuing Identity Play

Target Overview

Ping offers intelligent identity solutions for the enterprise in the United States and internationally. The company's platform offers secure single sign-on; multi-factor authentication; access security; directory solution; dynamic authorization; risk management; identity verification; API intelligence; orchestration; and fraud detection. It also provides professional and customer support services.

Buyer Overview

Thoma Bravo is one of the largest private equity firms in the world, with more than \$114 billion in assets under management as of March 31, 2022. The firm invests in growth-oriented, innovative companies operating in the software and technology sectors.

Transaction Overview

- Announced: August 3, 2022
- Transaction Value: \$3.0 billion (9.1x Revenue)
- Consideration: Cash

Rationale

Thoma Bravo continues its aggressive pursuit of identity management solutions, on the heels of the (re) acquisition of Sailpoint announced in April. Clearly, security and security-adjacent solutions are top of mind, but the transaction also highlights a potentially public/private divide that has opened up in the wake of recent market turbulence. Ping had been a portfolio company of Vista Equity, and had its IPO in September of 2019 and had gradually traded down from 12x revenue to around 5x before Thoma Bravo announced its acquisition. Software and tech-enabled services critical to the ongoing operations of their customers (like Ping) are being punished in the public market in a way that suggests that they will not remain public for very long (in this case, less than two years). High-quality tech-enabled businesses are a focus area for Intrepid.

Deal Spotlight



Roper Acquires Niche Market Leader Frontline Education

Target Overview

Frontline Education is a leading provider of school administration software, connecting solutions for human capital management, student and special programs, and business operations with powerful analytics to empower educators. Frontline partners with school systems to deliver tools, data and insights that support greater efficiency and productivity, enabling school leaders to spend more time and resources executing strategies that drive educator effectiveness, student success and district excellence.

Buyer Overview

Roper Technologies is a constituent of the S&P 500 and Fortune 500. Roper has a proven, long-term track record of compounding cash flow and shareholder value. The Company operates market leading businesses that design and develop vertical software and technology enabled products for a variety of defensible niche markets.

Transaction Overview

- Announced: August 30, 2022
- Transaction Value: \$3.7 billion (21.3x EBITDA)
- Consideration: Cash

Rationale

Roper is essentially a publicly traded private equity fund, making investments into a range of companies, mostly in software and tech-enabled services. School administration software has traditionally been seen as highly niche, with a distinct and very slow-moving sales cycle. That said, a Frontline Education is also relatively stable with a high EBITDA margin (nearly 50%) and that profitability enabled Roper to pay a multiple of both revenue and EBITDA consistent with their own market valuation (even today – the end of September – about 8x revenue and 21x EBITDA). More broadly, human capital and ed-tech solutions are highly mainstream and continue to trade at compelling multiples. These are sectors that Intrepid continues to aggressively cover.

Deal Spotlight



ABC Fitness Acquires Zappy (Glofox) to Bolster Software Offering

Target Overview

Zappy Limited, trading as Glofox, develops a cloud-based fitness business management software platform. The company offers software, such as fitness studio management; gym management; and yoga studio. It also provides enterprise software for fitness studio. The company's product enables users to manage members/athletes; scheduling classes, appointments, courses, PTs, and facilities; book members; sell products, courses, appointments, memberships, and classes; and inform members with reminders and notifications.

Buyer Overview

Thoma Bravo backed ABC Fitness offers gym management software as well as financial solutions to primarily SMB gyms and healthclubs. Originally known primarily for its facility with the financial side of gym membership (including collections), ABC has rebranded and moved more aggressively into software.

Transaction Overview

- Announced: July 29, 2022
- Transaction Value: \$220 million
- Consideration: Cash

Rationale

A second Thoma Bravo company is featured here in part because it illustrates the reverse approach to the software + payments model that Intrepid has explored extensively. ABC, acquired in 2018, was unusual for Thoma in approaching its niche market from a primarily services angle. A significant portion of the company's value proposition came from carrying out collections services for gyms whose members' credit cards were declined or who otherwise failed to honor the contract they had signed. Unlike direct competitor DAXKO (to whom we have sold two businesses) or indirect competitor Mindbody, ABC has aggressively entered software from its beginning as a financial / payments business – the opposite direction.

Select M&A Transactions – Software and Services (>\$1 billion EV)

Announced Date	Acquirer	Target	Target Business Description	Enterprise Value (\$M)	Enterprise Value / Revenue
Sep-22	Adobe	Figma	Collaborative interface designing SaaS	\$20,000	nm
Sep-22	CVS Health	Signify Health	Health assessment & clinical workflow SaaS	\$7,447	9.3x
Aug-22	Roper	Frontline Education / Thoma Bravo	School administration software	\$3,725	9.9x
Aug-22	OpenText	Micro Focus	Mission-critical technology enterprise software	\$6,000	2.3x
Aug-22	AKKR / Brightwood	basware	Enterprise software for financial processes	\$1,090	4.0x
Aug-22	Vista Equity	Avalara	Tax compliance automation SaaS	\$8,203	10.6x
Aug-22	Thoma Bravo	Ping Identity	ID management authentication SaaS	\$3,000	9.1x
Jun-22	Siemens	Brightly Software	Maintenance asset management software	\$6,000	15.7x
Jun-22	Permira	Zendesk	Help desk & CRM SaaS	\$10,990	6.9x
Jun-22	Kaseya / Insight Partners	Datto	Cloud-based backup and recovery systems	\$6,200	8.9x
Jun-22	Brookfield Business Partners	CDK Global	Auto retail CRM SaaS	\$8,300	4.7x
Jun-22	Golub Capital	Anaplan	Cloud based business planning SaaS	\$10,700	16.9x
Jun-22	DoorDash	Wolt	Mobile food ordering software	\$3,500	18.0x
May-22	Emerson Electric	Aspen Technology	Workflow automation software	\$6,000	15.7x
May-22	HgCapital	Ideagen	Regulatory & compliance management SaaS	\$1,267	12.6x
May-22	Shopify	Deliverr	E-commerce fulfillment software provider	\$2,100	nm
May-22	Intercontinental Exchange Inc.	Black Knight	Mortgage lifecycle management SaaS	\$13,107	11.2x
May-22	Broadcom	VMware	Cloud computing software	\$61,000	4.7x
Apr-22	Vector Capital	WatchGuard Technologies	External attack surface management SaaS	\$1,500	4.6x
Apr-22	KKR	Barracuda Networks / Thoma Bravo	Security SaaS & appliances	\$4,000	7.3x
Apr-22	Thoma Bravo	SailPoint	Identity management SaaS & software	\$7,062	14.3x
Apr-22	Bolt Financial	Wyre	Cryptocurrency exchange & payment software	\$1,500	N/A
				Median:	9.3x
				Mean:	9.8x

Select M&A Transactions – Software and Services (>\$1 billion EV)

Announced Date	Acquirer	Target	Target Business Description	Enterprise Value (\$M)	Enterprise Value / Revenue
Sep-22	Visma	House of Control	Contract management SaaS	\$60	3.1x
Sep-22	Commerce Technologies	ChannelAdvisor	E-commerce & marketing SaaS	\$712	3.8x
Aug-22	AD1 Holdings	Scout Talent Group	Talent acquisition SaaS	\$45	4.3x
Aug-22	Turn/River	Tufin	Cloud network security policy management SaaS	\$570	5.1x
Aug-22	Mitratech Holdings, Inc. / HgCapital	TalentReef	HR & talent management SaaS	\$110	3.7x
Aug-22	Employ	Lever	Recruitment SaaS	\$400	7.3x
Jul-22	Tremor International	Amobee	Advertising enablement SaaS	\$239	1.6x
Jul-22	Arcadis	IBI Group	Urban city management SaaS, systems & services	\$563	1.9x
Jun-22	Ascential	Intrepid Digital Commerce	E-commerce management SaaS & services	\$57	2.5x
Jun-22	Zomato	Blink Commerce	Online grocery delivery services	\$569	18.2x
Jun-22	Deel	PayGroup Limited	Payroll & HCM SaaS & services	\$82	3.1x
Jun-22	Aareon	Momentum Software	Property management & energy monitoring SaaS	\$164	16.3x
Jun-22	Cornerstone OnDemand / Clearlake Capital	SumTotal Systems / Skillssoft Corporation	HR management SaaS	\$200	1.7x
Jun-22	ReliaQuest	Digital Shadows	Digital risk & threat intelligence SaaS & services	\$160	6.4x
May-22	Plusgrade / Novacap Investments	Points.com	Loyalty program management SaaS	\$374	0.6x
May-22	Publicis Groupe	Profitero	E-commerce optimization & intelligence SaaS	\$210	6.4x
May-22	LexisNexis Risk Solutions	BehavioSec Inc.	Behavioral biometrics & authentication SaaS	\$140	17.5x
Apr-22	Synopsys	NTT Security Corporation	Application security testing SaaS	\$330	4.4x
Apr-22	SAS Lengow / Marlin Equity	Netrivals	Pricing & market intelligence SaaS	\$33	9.4x
Apr-22	WonderFi Technologies	Coinberry	Cryptocurrency trading mobile application	\$38	2.9x
Apr-22	Sumeru Equity Partners	beqom	Sales performance management SaaS	\$300	10.0x
Apr-22	Perforce Software / Clearlake Capital	Puppet Inc.	Infrastructure automation SaaS	\$300	3.3x
Nov-21	Inform Information Systems	Universe Group	PoS systems & software	\$44	1.7x
Nov-21	Altus Group	Reonomy	AI-powered proptech platform	\$202	9.5x
Nov-21	Open Text Corporation	Zix Corporation	Email encryption SaaS	\$860	3.5x
Nov-21	Smarsh	Micro Focus International	Archiving & risk management SaaS	\$860	3.4x
Oct-21	Idera	BitTitan Inc.	IT service management SaaS	\$200	4.0x
Oct-21	Summit Partners	Invicti Security Corporation	Application security SaaS	\$625	16.7x
Oct-21	Aptitude Software Group	MPP Global Solutions	Subscription management SaaS	\$53	3.5x
Sep-21	Marlin Equity Partners	ProcessUnity	3rd party risk and cybersecurity management software	\$280	12.2x
Sep-21	Progress Software Corporation	Kemp Technologies	Infrastructure management & systems management	\$258	3.7x
Sep-21	Fivetran	HVR Software	Database integration software	\$700	20.0x
Sep-21	Tenable Holdings	Accurics	Security infrastructure software	\$160	nm
Aug-21	mdf commerce	Periscope Holdings	Public sector procurement SaaS	\$207	6.3x
Aug-21	Siemens Mobility	Sqills Products	Public transportation management SaaS	\$653	13.7x
Jul-21	MCAP Acq. Corporation	AdTheorent	Machine learning-powered predictive ad platform	\$775	4.9x
Jul-21	Omnicell	FDS Ampicare	Pharmacy BI & ERP SaaS	\$177	6.1x
Jul-21	Audax Management	EJ2 Communications	Threat intelligence software, SaaS & services	\$325	8.1x
Jul-21	Microsoft	CloudKnox Security	Cloud infrastructure entitlement management SaaS	\$200	nm
Jul-21	BrandMaker	Allocadia Software	Marketing performance management SaaS	\$180	10.0x
Jul-21	ECP Corp	Fast Radius	Digital cloud manufacturing platform	\$995	nm
Jul-21	Mediaocean	Simplicity Marketing	UK advertising serving SaaS	\$500	6.3x
Jul-21	Microsoft	RiskIQ	Threat intelligence SaaS	\$650	10.8x
Jul-21	Barracuda Networks	SKOUT Secure Intelligence	Cybersecurity & XDR SaaS	\$150	10.0x

Median: 5.1x
Mean: 7.0x

Note: All amounts in millions of USD; all data sourced from S&P Capital IQ and Pitchbook. Information as of 9/30/2022.
Note: "nm" designated for valuation multiples over 25.0x



Software & Services Team

Vertical SaaS | Sales Enablement | Compliance Technology | Human Capital Management | Transportation & Logistics Technology | Data & Analytics | Payments & Fintech | Cybersecurity | HCIT | Tech-Enabled Services



Christopher Park
Managing Director
Head of Software & Services
cpark@intrepidib.com



Jeff Becker
Managing Director
jbecker@intrepidib.com



Josh Moses
Managing Director
jmoses@intrepidib.com



Ryan Makis
Vice President
rmakis@intrepidib.com



Mike McMahon
Vice President
mmcmahon@intrepidib.com



Alex Chien
Vice President
achien@intrepidib.com

About Intrepid's Software & Services Practice

Accessing capital and achieving a premium valuation requires a unique and disruptive idea, a scalable business model, vision for sustained growth, and strong execution. Intrepid's **Software & Services** practice is an innovative and focused strategic advisory unit that has deep industry expertise assisting entrepreneurs, middle-market business owners and investors across key subsectors, including: vertical SaaS, sales enablement, compliance technology, human capital management, transportation & logistics technology, data & analytics, payments & fintech, cybersecurity, HCIT, and tech-enabled services. Our bankers take the time to understand a company's business model and advise it in defining and articulating its vision to the market.