



Software & Services M&A Report – Q4'22

Reaching Equilibrium: Software Market Valuations Reset

Mergers & Acquisitions | Capital Advisory

Los Angeles | Menlo Park | Charlotte | Chicago | New York | intrepidib.com | 310.478.9000

A member of MUFG, a global financial group. Member FINRA/SIPC

Reaching Equilibrium: Software Market Valuations Reset

2022 was a turbulent year. The year ended with public equity markets leveling off after falling from 2021 highs, interest rate hikes from the Federal Reserve nearing an end, inflation dropping off mid-year peaks, and geopolitical tensions having turned to outright war. The stock market felt the impact, with the S&P 500 and NASDAQ posting 19.4% and 33.1% losses in 2022, respectively. All things considered, Q4 ended relatively flat, with market data pointing to positive momentum. Deal transaction values matched last quarter while still staying significantly above early 2020 figures. Public software company multiples rebounded towards the end of the year and exciting take-private acquisitions took place, suggesting there is now an intersection between private and public valuations.

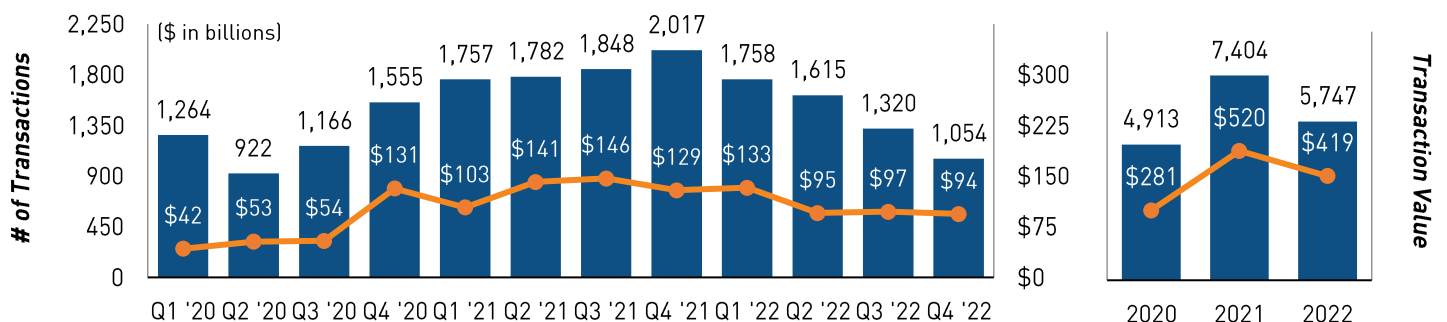
The decline in public markets poses an interesting question: Are overvalued public valuations coming down to fairly-priced, private market valuations, or have public company valuations overcorrected? We firmly believe in the former, and the support for the answer lies in the current state of the public markets. Although the IPO/SPAC market collapsed 94% compared to 2021, take-private activity has increased. For example, Thoma Bravo made four acquisitions of public companies in Q4 2022, where each company was down, on average, 44% YTD to each acquisition's announcement. Despite market conditions, these acquisitions contributed to the stabilized level of buyouts in Q4 2022.

In Q4 2022, buyout activity ticked slightly lower while exits significantly slowed. Last year, PE firms exited 1,274 U.S. companies for a cumulative \$296 billion, roughly 28% and 66% lower, respectively, from 2021's record-setting levels. Nevertheless, the availability of dry equity powder remains near all-time highs, with the difference now being that there is less pressure to deploy capital as rapidly compared to early 2022. This available capital is crucial to growth-stage companies looking to maintain prior round valuations in the new environment.

With heightened interest rates and a tight credit market, the topic of capital efficiency is back at center stage. VC-backed companies that once enjoyed easy access to capital at lofty valuations now face new challenges with cash management. Those who have burned through or are burning through their last raise will struggle to raise the next round. Beyond the prospects of raising capital, companies face the complex task of maintaining attractive growth metrics while cutting excessive costs to extend cash runways.

On the other hand, further rate hikes and the onset of a mild recession as some Wall Street analysts predict could dampen valuations or cause buyers and sellers to once again diverge. While the future is as always uncertain, quality companies that continue to perform, with defensible theses, have strong odds for success. As overall multiples remain high, investors have capital to deploy, and some large transactions are completed, companies considering an exit should certainly begin to prepare for market.

Software M&A Deal Values and Volume



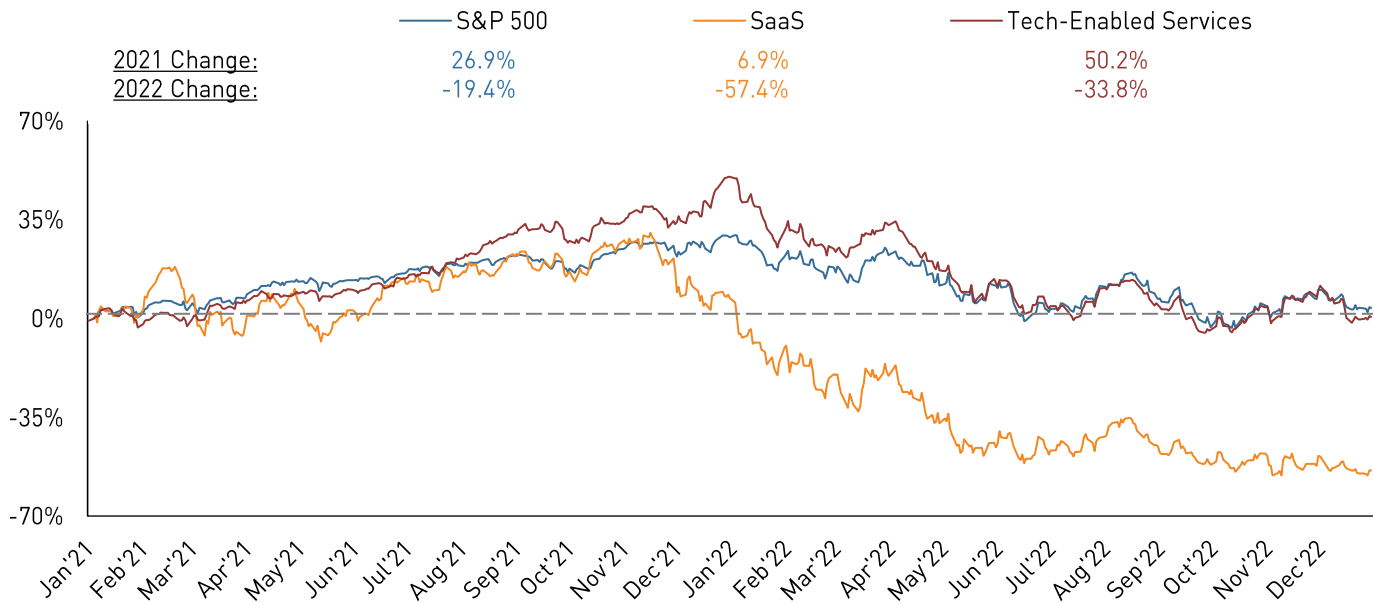
Christopher Park
Managing Director
Head of Software & Services

Jeff Becker
Managing Director
Software & Services

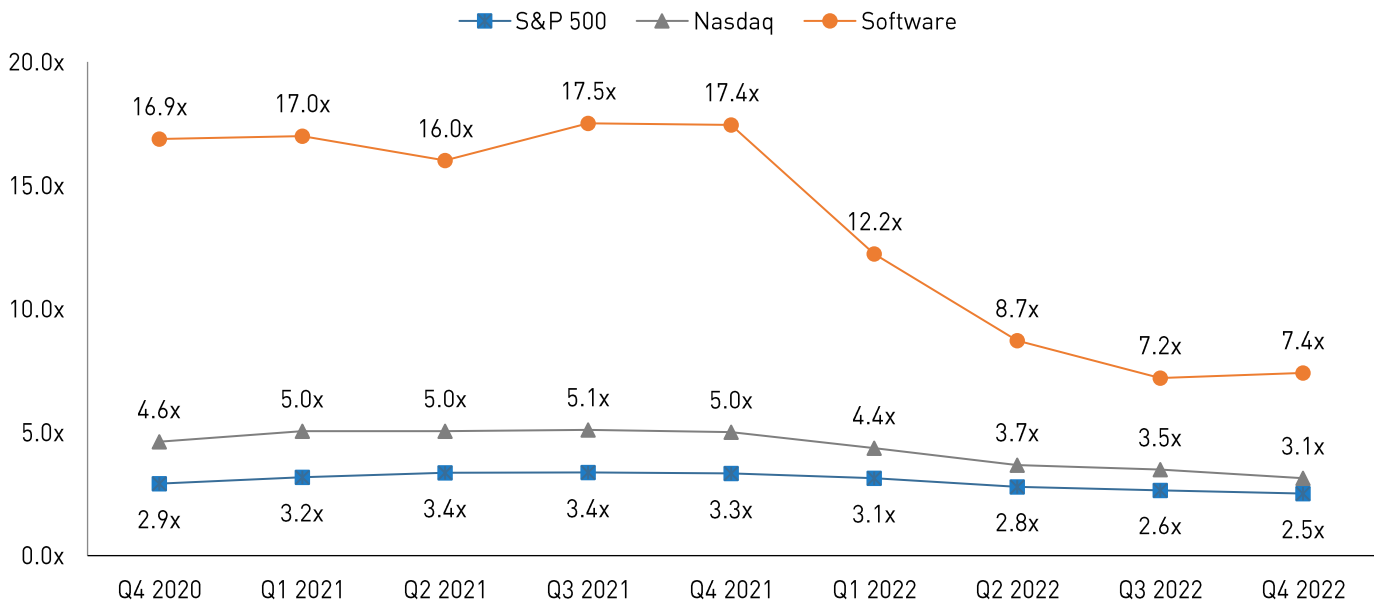
Josh Moses
Managing Director
Software & Services

Publicly Traded Companies – Software Valuation Trends

Public Stock Price Index Growth



Public Software Enterprise Value / LTM Revenue Multiples



Deal Spotlight



iCIMS Acquires SkillSurvey to Bolster Software Offering

Target Overview

SkillSurvey provides a cloud-based talent management platform that enables organizations to better manage talent by producing actionable insights backed by the Company's massive data base. SkillSurvey's reference-checking software streamlines the process of verifying skills, analyzing qualifications, and receiving feedback from references. The Company also provides career readiness software for students.

Buyer Overview

iCIMS, backed by TA Associates and Vista Equity Partners, offers powerful recruiting products to accelerate and streamline the hiring process. Primarily known for its "Talent Cloud" platform, iCIMS empowers organizations through the recruitment journey by leveraging AI, intuitive video-driven experiences, and countless integrations, SkillSurvey being one of them.

Transaction Overview

- Announced: October 26, 2022
- Transaction Value: \$180 million (5.1x Revenue)
- Consideration: Cash

Commentary

This acquisition marks iCIMS's 6th add-on investment since Vista Equity Partners backed the Company in 2018, continuing their buy-and-build strategy. SkillSurvey, once a popular integration for iCIMS, is now part of the iCIMS product family. SkillSurvey's 2,300+ customers will profoundly benefit from iCIMS's industry-leading customer support and broader product offering. iCIMS is acting on its goal of streamlining legacy and burdensome talent acquisition processes. Both management teams expressed their excitement about the tremendous cross-selling opportunity, given the product gaps both companies fill for each other. Lastly, with an IPO scrapped earlier in 2022, the larger go-forward entity presents a better chance at entering the public markets in the future.

Deal Spotlight



Google Acquires Mandiant to 'Reinvent Security'

Target Overview

Mandiant is a global market leader in dynamic cyber defense, threat intelligence, and incident response services. Through its SaaS “Mandiant Advantage” platform, the Company assists enterprises, governments, and law enforcement agencies to remain secure from cyber threats and confident in their readiness.

Buyer Overview

Although Alphabet (NASDAQ: GOOGL), Google's parent company, is best known for Google Search, Google Maps, and YouTube, Google Cloud is Alphabet's second largest business unit, with approximately \$19 billion in 2021 revenue. The Google Cloud platform helps developers build, test, and deploy a host of cloud-based applications. As the operators of one of the world's largest and most secure computing systems, Google Cloud's scale necessitates a commitment to proactive security.

Transaction Overview

- Closed: September 12, 2022
- Transaction Value: \$5.40 billion (9.5x Revenue)
- Consideration: Cash

Commentary

The Mandiant suite of products enables Google Cloud and its customers to transition their security programs from a reactive to a proactive approach. This acquisition marks an important step in Alphabet's long-time strategy of diversifying revenues away from ads and implementing more value in services such as Google Cloud. With cybersecurity investments on the rise, Alphabet's acquisition of Mandiant locks up a premium asset, fending off players like Microsoft, who were rumored to be considering a bid for the target earlier this year. The transaction is also noteworthy for its size, notwithstanding Alphabet's deep coffers, as the second largest in the company's history. The deal size speaks to the importance Alphabet places on cybersecurity as it seeks to gain a foothold among the more significant cloud players of Microsoft and Amazon.

Deal Spotlight



Trimble Pays Up for Prized European Platform Transporeon

Target Overview

Transporeon, headquartered in Germany, provides cloud-based logistics management software solutions for shippers, suppliers, retailers, goods recipients, and carriers, enabling more efficient sourcing, communication, collaboration, and transaction between logistics nodes. The Company serves a global blue-chip and European enterprise customer base and Europe's leading carrier network connecting over 1,000 shippers and 90,000 carriers.

Buyer Overview

Trimble (NASDAQ: TRMB) is a supply chain technology provider for various industries from agriculture to construction. The Company integrates industry-specific technologies and variables to build highly specialized applications such as IoT-enabled asset maintenance software for vehicle fleets.

Transaction Overview

- Announced: December 12, 2022
- Transaction Value: \$1.98 billion (9.9x Revenue)
- Consideration: Cash

Commentary

This acquisition is a testament to Trimble's commitment to extend its reach further into the transportation space and encompass end-to-end logistics management. Trimble has vastly increased their European exposure. Although Transporeon was a unique asset with some highly compelling attributes, the market called the high multiple into question with Trimble's stock down by 16% since the announcement of the acquisition. The price indicates that this was a highly competitive process where multiple bidders saw value for which Trimble ultimately needed to pay. Despite the adverse market reaction, Trimble's executive team is steadfast in its decision and believes in its longer-term success.

Select M&A Transactions – Software and Services

Transactions over \$1 billion EV

Announced Date	Closed Date	Acquirer	Target	Target Business Description	Enterprise Value (\$M)	Enterprise Value / Revenue
Oct-22	Jan-23	Thoma Bravo / Sunstone Partners	UserTesting (NYSE: USER)	Online user & customer experience SaaS	\$1,139	5.3x
Nov-22	Jan-23	PTC (NASDAQ: PTC)	ServiceMax / Silver Lake Partners	Field service execution SaaS	\$1,458	11.2x
Sep-22	Dec-22	EQT	Billtrust	Payments SaaS & services	\$1,451	8.3x
Dec-22	Pending	Advent International	Maxar Technologies (NYSE: MAXR)	Satellites & GIS software	\$6,413	3.7x
Dec-22	Pending	Thoma Bravo	Coupa (NASDAQ: COUP)	BSM & ERP SaaS	\$8,000	9.8x
Dec-22	Dec-22	Trimble	Transporeon	Logistics management SaaS	\$1,980	9.9x
Dec-22	Pending	NRG Energy (NYSE: NRG)	Vivint Smart Home (NYSE: VVNT)	Home security & automation systems	\$5,200	3.2x
Jun-22	Nov-22	Hellman & Friedman / Permira	Zendesk (NYSE: ZEN)	Help desk & CRM SaaS	\$10,200	7.1x
Sep-22	Nov-22	Centerbridge / Bridgeport Partners	Computer Services (NYSE: CSVI)	Digital transaction processing services	\$1,595	4.7x
Jul-22	Nov-22	Unity (NYSE: U)	ironSource	Mobile application distribution software	\$4,400	6.6x
Apr-22	Oct-22	Elon Musk and Investor Consortium	Twitter (NYSE: TWTR)	Micro-blogging social media network	\$44,000	9.9x
Aug-22	Oct-22	Vista Equity Partners	Avalara	Tax compliance automation SaaS	\$8,400	10.6x
Aug-22	Oct-22	Thoma Bravo	Ping Identity (NYSE: PING)	ID management authentication SaaS	\$2,655	9.1x
Oct-22	Pending	Vista Equity Partners	KnowBe4 (NASDAQ: KNBE)	Cybersecurity awareness training & simulated phishing SaaS	\$4,299	14.9x
Oct-22	Pending	Thoma Bravo	ForgeRock (NYSE: FORG)	Identity & access management SaaS	\$2,300	12.0x
Aug-22	Oct-22	Roper Technologies (NYSE: ROP)	Frontline Education	K-12 workforce management SaaS	\$3,725	10.1x
Jan-21	Oct-22	Optum / UnitedHealth Group (NYSE: UNH)	Change Healthcare	Healthcare enterprise & patient management SaaS	\$12,686	7.7x
						Median: 9.1x
						Mean: 8.5x

Transactions under \$1 billion EV

Announced Date	Closed Date	Acquirer	Target	Target Business Description	Enterprise Value (\$M)	Enterprise Value / Revenue
Dec-22	Dec-22	Olympus Corporation (OTCMKTS: OCPNY)	Odin Vision	Endoscopy detection & diagnosis SaaS	\$80	14.5x
Nov-22	Dec-22	Palo Alto Networks (NASDAQ: PANW)	Cider Security	Application security SaaS	\$195	NM
Nov-22	Dec-22	Cinven	TaxACT	Tax preparation SaaS	\$720	2.9x
Aug-22	Dec-22	Thoma Bravo	Nearmap	Online urban aerial photomaps services	\$746	6.5x
Dec-22	Dec-22	Proofpoint / Thoma Bravo	Illusive Networks	Identity threat detection & response management SaaS	\$150	6.8x
Dec-22	Dec-22	CyberMaxx / Periscope Equity	CipherTechs	Information security services	\$33	0.9x
Aug-22	Dec-22	Francisco Partners	Litmos / SAP	Learning management SaaS	\$450	5.0x
Jun-22	Nov-22	Deel	PayGroup	Payroll & HCM SaaS & services	\$825	3.1x
Sep-22	Nov-22	CommerceHub / Insight Venture	ChannelAdvisor	eCommerce & marketing SaaS	\$648	3.8x
Nov-22	Pending	Blackstone (NYSE: BX)	R Systems International (NYSE: RSYSTEMS)	Digital transformation services	\$184	1.9x
Nov-22	Pending	Alludo	Nitro Software (ASX: NTO)	Document productivity SaaS	\$293	4.9x
Nov-22	Pending	Voya Financial (NYSE: VOYA)	Benefitfocus (NASDAQ: BNFT)	Benefits administration SaaS	\$588	2.3x
Oct-22	Oct-22	Valsoft	ServiceCentral Technologies	After-sales product lifecycle management SaaS	\$400	3.3x
Oct-22	Pending	K1 Investment Management	ELMO Software (ASX: ELO)	Human resource management SaaS	\$338	5.8x
Oct-22	Oct-22	iCIMS / Vista Equity Partners	SkillSurvey	Talent intelligence SaaS	\$180	5.1x
Oct-22	Oct-22	HSI / Waud Capital Partners	SafetySkills	EHS training and compliance course SaaS	IIB Confidential	
						Median: 4.4x
						Mean: 4.8x

Note: All amounts in millions of USD; all data sourced from Pitchbook and S&P Capital IQ. Information as of 12/31/2022.

Note: "NM" designated for valuation multiples over 25.0x; "Pending" refers to transactions that have been announced but are pending closing



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.

Mergers & Acquisitions | Capital Advisory

Los Angeles | Menlo Park | Charlotte | Chicago | New York | intrepidib.com | 310.478.9000

A member of MUFG, a global financial group. Member FINRA/SIPC