



Software & Services M&A Report – Q1'23

Detouring a Fender Bender: Keep Your Eyes on the Road

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

Detouring a Fender Bender: Keep Your Eyes on the Road

The first quarter of 2023 was noisy. Despite the epic failure of Silicon Valley Bank – for reasons totally outside the health of the software ecosystem – software valuations increased, and major companies reported improved revenue and earnings. The NASDAQ posted its strongest quarterly performance since the COVID explosion of 2020/2021, ending the quarter with gains over 16%. Salesforce and Adobe reported year over year revenue increases of 23% and 19% respectively. Evidently, a market recovery is underway.

So why are M&A deal and dollar volumes down? We saw just over 1,000 transactions in Q1 2023 with reported deal values totaling \$47 billion, roughly half the deal value of Q4 2022. The decrease is partially illusory, or less relevant to our core markets, for three reasons:

First, the debt market has gotten significantly more challenging, even before SVB vanished (with part of its team [joining MUFG](#)). On the price side of the equation, SOFR has increased from 0.3% a year ago to 4.9% today. Risk premia have also increased. On the volume side, banks are less willing to lend at larger multiples of EBITDA. This can be reflected in the prices on offer, which might incentivize some companies to wait to transact. Indeed, there have been some high-profile deals pulled in the past few months, many of which depended on a significant debt component.

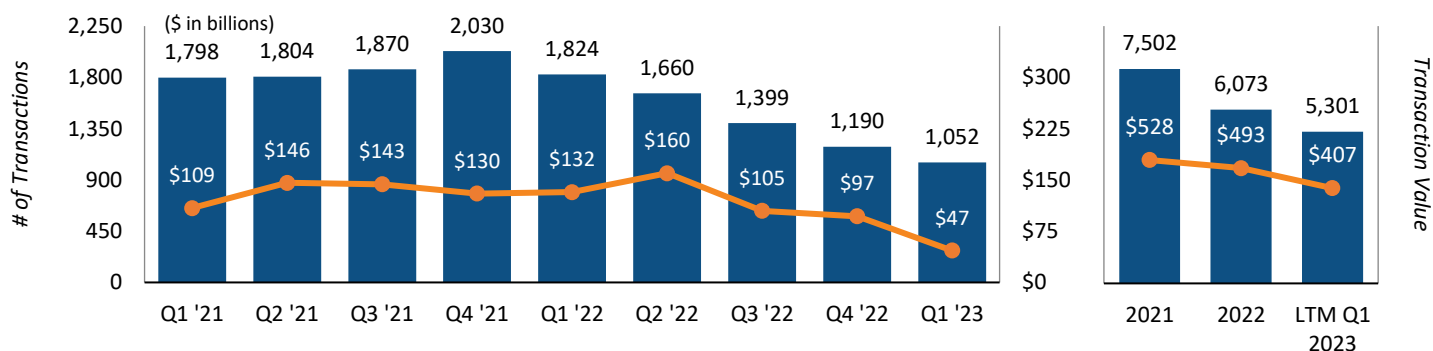
Second, the phenomenon of very early stage companies acquired simply for their technology has disappeared alongside more the aggressive venture funding that enabled those acquisitions. In Q1 2023, there were 4 companies with fewer than 50 employees that sold for over \$50 million. In Q1 2022, there were 30. Of course, most of these transactions will be undisclosed. In Q1 2023, there were a total of 144 deals with disclosed transaction values, or about one in seven. That suggests the actual number of early stage technology acquisitions was possibly 200-300 in Q1 2022, enough to make a significant impact on the totals.

Third, as we've noted, the COVID deal environment inspired many companies to accelerate sale timelines and go to market in 2021 or early 2022, reducing the available population of companies that would have otherwise sold in 2023; thus, impacting 2023 transaction volumes.

One might reasonably object that dollar volumes are down more than deal volumes. However, this is misleading. Deal values are, and always have been, highly dependent on a relatively short list of very large transactions. In Q1 2023, the largest software deal was Thoma Bravo's \$8 billion acquisition of Coupa Software. In Q1 2022, Afterpay, Nuance and McAfee alone accounted for nearly \$60 billion – nearly half the deal value of Q1 2022 (and that figure doesn't include the now-blocked Microsoft Activision acquisition).

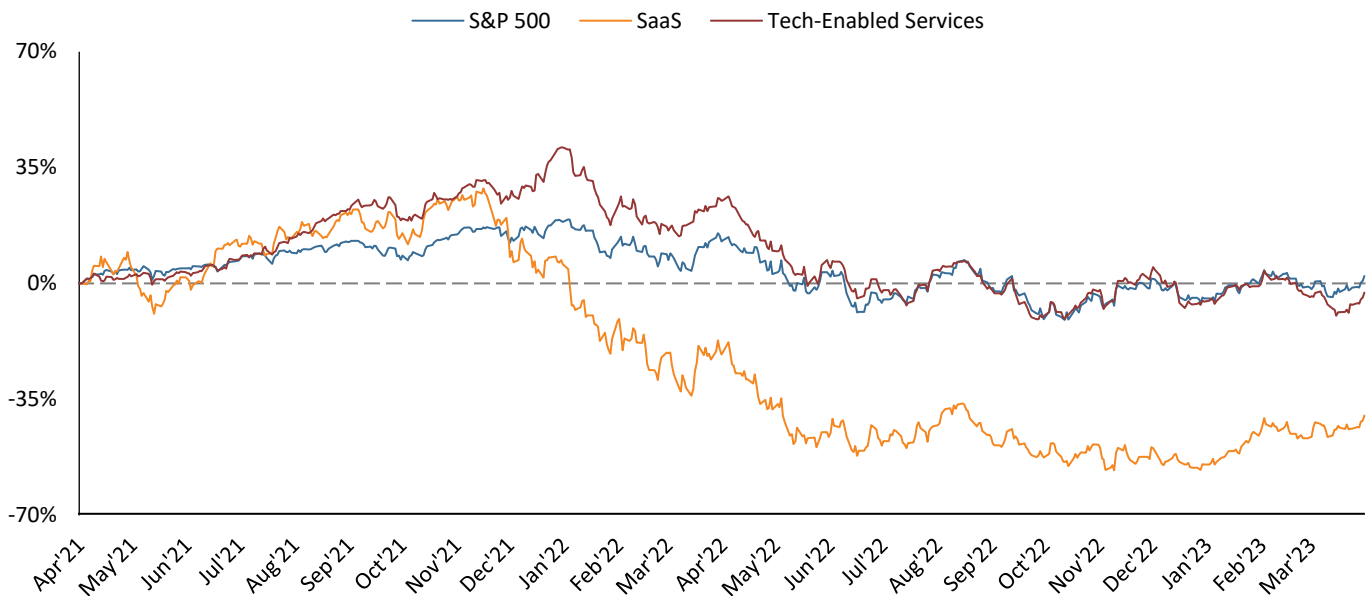
We are currently in an M&A environment where debt is available but more expensive, investors are holding onto broken companies, and the population of transactable companies is reduced. Buyers are ready to deploy capital. Multiples are up, and they're consistent with 2019 multiples. The venture world is making a lot of noise, but growing software businesses should not be deterred from the road to exit. Ignore the lights and keep your eyes on the road.

Software M&A Deal Values and Volume

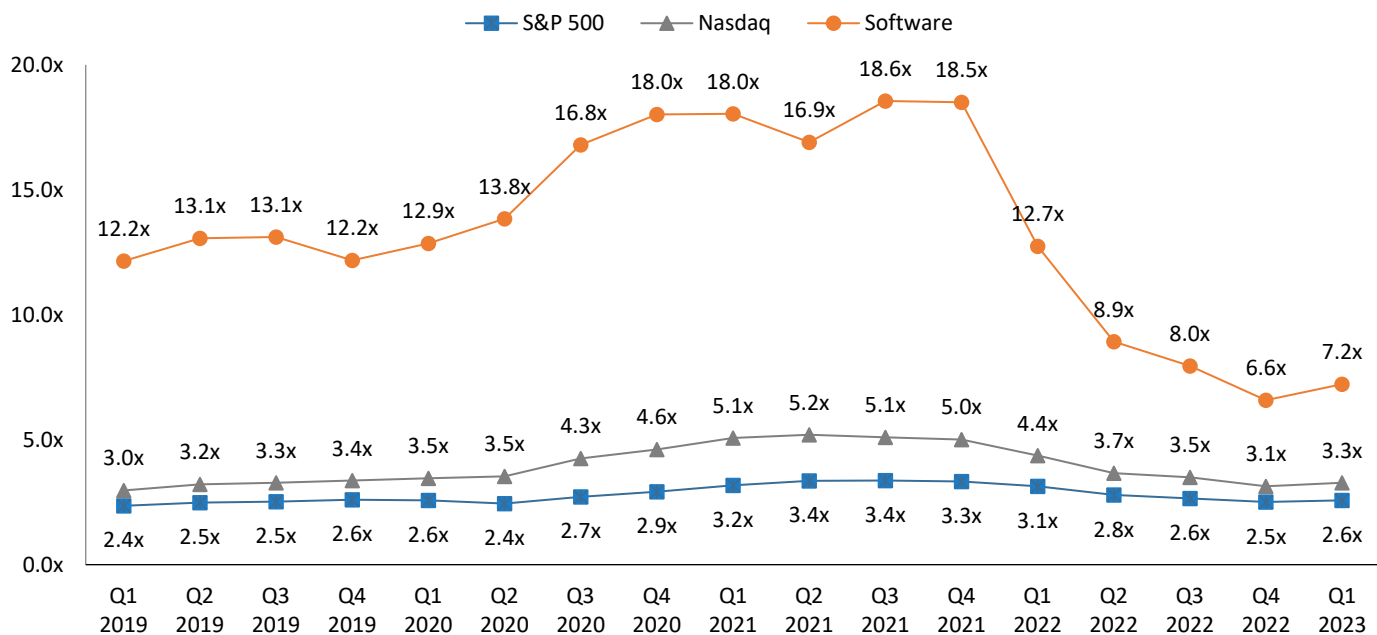


Publicly Traded Companies – Software Valuation Trends

Public Stock Price Index Growth



Public Software Enterprise Value / LTM Revenue Multiples



Deal Spotlight



Voya expands customer reach with Benefitfocus acquisition

Target Overview

Benefitfocus (NasdaqGM:BNFT) is a leading data-driven, cloud-based software solution for health care and benefits administration. Benefitfocus helps employers, health plan providers, and brokers simplify benefits administration, contain costs, and increase customer satisfaction. By leveraging integration technologies, the platform creates a benefits ecosystem that improves the connection between various service partners and individuals.

Buyer Overview

Voya Financial ("Voya") (NYSE: VOYA) is a leading health, wealth, and investment company serving employers, individuals, and institutional clients. Through the health solutions segment, Voya is a top-five provider of supplemental health insurance in the United States. The company's wealth solutions segment offers retirement plans to retail and workplace clients. The investment management segment manages fixed income, equities, and alternative strategies for institutions, intermediaries, and individual investors.

Transaction Overview

- Closed: January 24, 2023
- Transaction Value: \$588 million (2.3x LTM Revenue; 49% purchase price premium)
- Consideration: Cash

Commentary

The acquisition of Benefitfocus extends Voya's access to companies and employees looking for health and wealth solutions, which are individually Voya's two largest segments. Combined with Benefitfocus, Voya now serves the health and wealth needs of approximately 38 million Americans (nearly 1 in 10). Further, Benefitfocus' SaaS-based benefits administration platform will help deepen Voya's connections with distribution partners, creating a more integrated relationship with individuals. The acquisition suggests Voya's strategy continues to be that integrated HR-centric software is one of the most effective ways to reach and connect with employees. Voya acquired Benefitfocus for \$10.50 per share, representing a 49% acquisition premium over the October 31st pre-announcement trading price.

Deal Spotlight



PTC enters next era of closed-loop product lifestyle management (“PLM”) strategy

Target Overview

ServiceMax is the leading system of record and action for service organizations. Known for its cloud-based field service platform, the company’s features include work order management, scheduling and dispatch, inventory management, contract management, and analytics. ServiceMax focuses on the asset-centric needs of manufacturers and service organizations, processing millions of work orders every month for hundreds of millions of units of equipment.

Buyer Overview

PTC Inc. (NASDAQ: PTC) is an American computer software and services company headquartered in Boston, Massachusetts. PTC offers high-end computer-assisted design software, PLM software, Internet of Things solutions, and augmented reality industrial solutions. The software is designed to digitally transform product and service creation, operational excellence, and workforce productivity. 45% of PTC’s annual revenue comes from North America and 40% from Europe.

Transaction Overview

- Closed: January 3, 2023
- Transaction Value: \$1.5 billion (Estimated 10.5x LTM Revenue)
- Consideration: Cash

Commentary

ServiceMax’s field service management technology allows PTC to enhance its closed-loop PLM offerings, enabling the expansion of digitization to downstream enterprise asset management. PLM data traditionally flows downstream – first product development, then manufacturing, then support, and finally disposal. Closed-loop PLM data adds backwards data flow capability, gathering analytical data throughout the product lifecycle. ServiceMax concentrates on improving the productivity of complex, equipment-centric service execution in mission-critical industries. PTC’s manufacturing customers rely on field service management for performance, satisfaction, and profitability analytics. ServiceMax’s offering complements PTC’s existing products and customer needs, driving expected accretive SaaS ARR and cash flow expectations for FY’23.

Deal Spotlight



Nuvei bolsters global payment dominance through Paya acquisition

Target Overview

Paya is a leading provider of integrated payment and commerce solutions. The company helps business accept, process and manage payments, enabling them to streamline their operations and grow effectively. Paya offers a robust suite of services, including payment gateways, point-of-sales systems, virtual terminals and mobile payment solutions. The business has built its foundation on robust integrations with front-end CRM and back-end accounting systems that enhance customer experience and workflow.

Buyer Overview

Nuvei (NASDAQ: NVEI) (TSX: NVEI) is a Canadian global payment technology provider offering a wide range of payment processing services and solutions for business of all sizes. The company's platform supports more than 150 currencies, enabling merchants to accept payments from customers worldwide. Nuvei's services include payment processing, fraud management, risk management and merchant services that provide the technology and insights for customers and partners to succeed locally and globally with one integration.

Transaction Overview

- Closed: February 23, 2023
- Transaction Value: \$1.3 billion (4.6x LTM Revenue)
- Consideration: Cash

Commentary

The acquisition of Paya marks Nuvei's 7th acquisition since 2020, continuing their solution diversification and market expansion initiative. Paya's suite of integrated payment and commerce solutions coupled with their vast software integrations with 300+ ISVs enhances Nuvei's payment processing capabilities. Paya's integrated payment capability will be directly plugged into Nuvei's global technology platform, unlocking opportunities to expand their technology proficiencies while simplifying client's technical stacks. Both management teams are confident they will continue to see strong momentum within the high growth, underpenetrated middle market where they serve over 100,000 customers concentrated in the US.

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	
Mar-23	Pending	Concentrix Corporation [NASDAQ:CNXC]	Webhelp SAS	French customer care & BPO services	\$4,752	NA	
Mar-23	Pending	Blackstone Inc.	Cvent Holding Corp.	Event planning & marketing SaaS	\$4,151	7.3x	
Mar-23	Pending	Silver Lake and CPP Investments	Qualtrics International Inc.	Experience management SaaS	\$12,249	8.6x	
Mar-23	Pending	Symphony Technology Group LLC	Momentive Global Inc.	Survey creation SaaS	\$1,416	3.1x	
Mar-23	Pending	EQT AB	SK Shieldus Co., Ltd.	Security integration services	\$1,517	1.6x	
Mar-23	Pending	EQT AB / PSP Investments	Radius Global Infrastructure, Inc.	Telecom site lease aggregator & integrator	\$1,429	22.1x	
Feb-23	Pending	Waters Corporation	Wyatt Technology Corporation	Laser light scattering systems	\$1,360	12.4x	
Feb-23	Pending	Francisco Partners Management, L.P.	Sumo Logic, Inc.	Log management & analytics SaaS	\$1,700	4.8x	
Jan-23	Apr-23	Thoma Bravo LP	Magnet Forensics Inc.	Digital investigation SaaS	\$1,229	12.5x	
Jan-23	Mar-23	Vista Equity Partners Management LLC	Duck Creek Technologies LLC	Insurance policy management SaaS	\$2,600	7.6x	
Jan-23	Feb-23	Nuvei Corporation	Paya Holdings Inc.	Payment management SaaS holding company	\$1,289	4.6x	
Nov-22	Jan-23	PTC Inc. [NASDAQ:PTC]	ServiceMax, Inc.	Business/Productivity SaaS	\$1,460	10.5x	
						Median:	7.6x
						Mean:	8.6x

Transactions under \$1 billion EV

Announced Date	Closed Date	Acquirer	Target	Target Business Description	Enterprise Value (\$M)	Enterprise Value / Revenue	
Mar-23	Mar-23	Keywords Studios Plc	Digital Media Management, Inc	Social media marketing services	\$68	2.0x	
Mar-23	Pending	SoftBank Group Corp.	Berkshire Grey Inc.	Enterprise robotics automation systems & SCM SaaS	\$375	4.0x	
Mar-23	Pending	Sopra Steria Group SA	Ordina NV	Outsourced IT services	\$552	1.2x	
Mar-23	Mar-23	Hewlett Packard Enterprise Co.	Axis Security Inc.	SASE management SaaS	\$500	NM	
Mar-23	Pending	Summa Equity AB	LogPoint A/S	Cybersecurity & SEIM SaaS	\$150	6.0x	
Feb-23	Pending	Cisco Systems Inc.	Valtix, Inc.	Network security management SaaS	\$125	NM	
Feb-23	Feb-23	Grafenia plc	Topfloor Systems Limited	Property Management SaaS	\$7	3.2x	
Feb-23	Apr-23	CDON AB (publ)	Fyndiq AB	Online e-commerce marketplace	\$69	1.5x	
Feb-23	Feb-23	L Squared Capital Partners	Foundant Technologies, Inc.	Grant & scholarship management SaaS	\$125	5.7x	
Jan-23	Jan-23	Welsh Carson Anderson & Stowe LP	ImageTrend Inc.	ERP & data management SaaS	\$400	8.9x	
Jan-23	Pending	Altor Equity Partners and Marlin Equity	Meltwater BV	Media intelligence & social analytics SaaS	\$542	1.4x	
Nov-22	Jan-23	Voya Financial, Inc.	Benefitfocus, Inc.	Benefits administration SaaS	\$588	2.3x	
						Median:	3.6x
						Mean:	7.2x

Notes: USD in millions; "NM" denotes multiples over 25.0x, "Pending" denotes announced transactions pending close

Sources: Pitchbook and S&P Capital IQ as of 3/31/2022



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



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