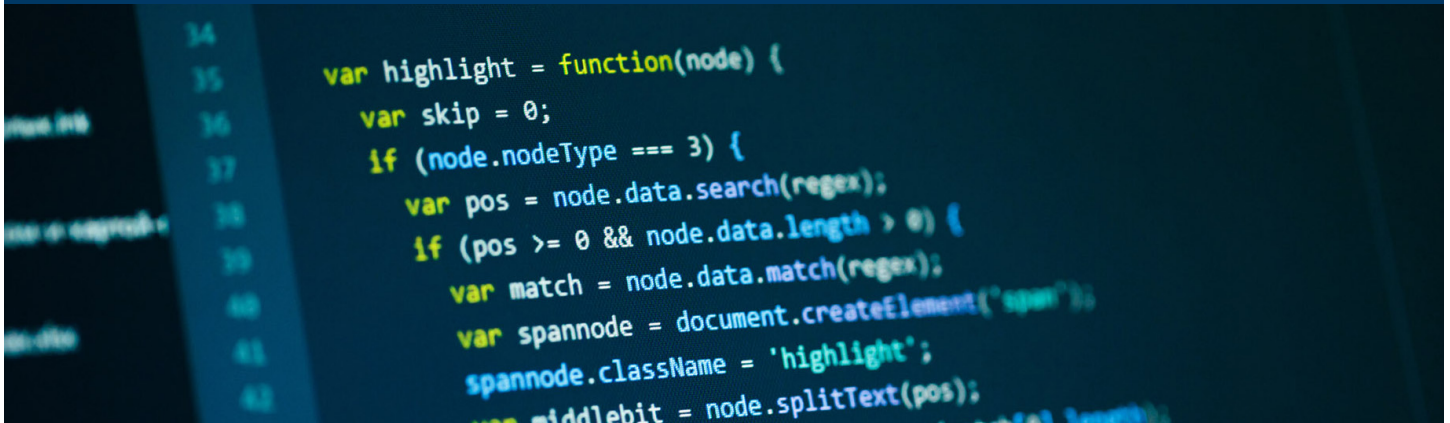


# SOFTWARE & TECHNOLOGY M&A PULSE

THIRD QUARTER 2022



# Q3'22

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# PMCF Technology Coverage Team

## ABOUT PMCF

P&M Corporate Finance ("PMCF"), a U.S. registered broker/dealer, is an investment bank focused exclusively on middle market transactions with professionals in Chicago, Detroit, Denver, and across the globe through Corporate Finance International partners. Offering a depth of advisory services, PMCF helps clients worldwide meet their sale, acquisition, financing, and strategic growth objectives. Additional information on PMCF can be found by visiting our website, [pmcf.com](http://pmcf.com).

## INVESTMENT BANKING SERVICES:

- Mergers & Acquisitions
- Carve-outs & Divestitures
- Strategic Assessments
- Transaction Readiness Planning
- Capital Raising



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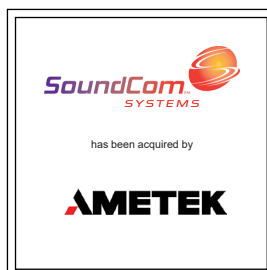
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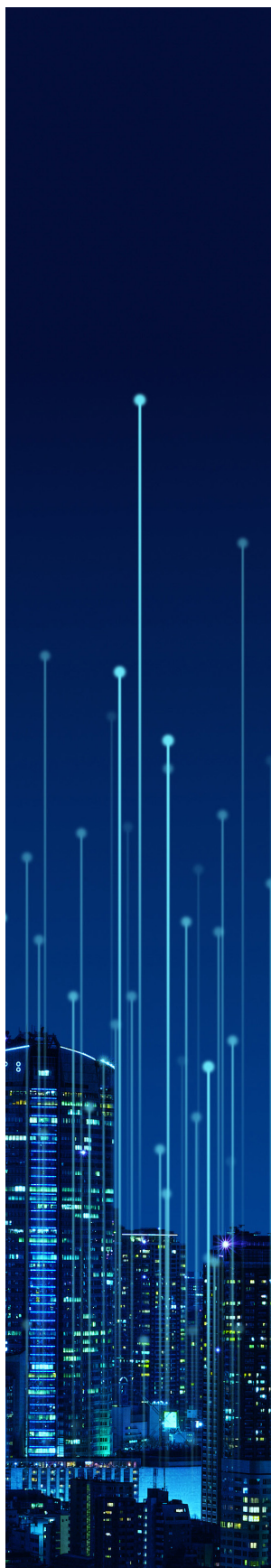
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## SELECT PMCF TECHNOLOGY TRANSACTIONS



# What We're Discussing with Clients



## IMPORTANCE OF GROSS RETENTION

With M&A markets cooling off after a record year and amidst growing recession fears, investors are highly selective with the targets they are pursuing and digging deep into the sustainability of a company's performance. A critical metric investors analyze is gross retention, which measures how well a company maintains its existing revenue by minimizing churn. Strong net retention is also an important metric but can be buoyed by new customer acquisition. The ability to retain customer accounts demonstrates product entrenchment and is especially attractive to investors who fear what cuts may be made to customer budgets in a recessionary environment.

## LONGER DUE DILIGENCE PROCESSES

Increased buyer selectivity is evidenced by the median due diligence process time increasing 5% for sell-side transactions and 7% for buyer-led transactions compared to 2021<sup>(1)</sup>. The longer diligence times suggest that buyers are being more cautious with investments ahead of a potential market downturn and that negotiating power has shifted back into buyers' courts. Last year's record volume meant buyers had to expedite diligence processes to move quickly as an advantage in a very competitive landscape. This year is a different story as sellers spend significantly more time in the prep phase to ensure a smooth closing once the preferred buyer is selected.

## INVESTOR APPETITE FOR NICHE SAAS SEGMENTS

A growing trend within the software industry is the prevalence of more niche products along with the emergence of MicroSaaS, or smaller solutions that are typically add-ons to more extensive SaaS applications. As the SaaS segment evolves, businesses increasingly seek customized products that provide solutions for more focused, industry-specific challenges. However, investor appetite may be softer in this segment given the smaller total addressable market, ecosystem barriers of integrating with a larger platform, and lack of market leadership. Those that are not clear leaders in their space may see lukewarm buyer reception and lower valuations.

## BENEFITS OF USAGE-BASED MODELS

As investors determine which SaaS investments to pursue in the current market, companies that deploy a usage-based, or consumption-based, pricing model may demonstrate attractive characteristics. Companies with this model may see customer resiliency given the lower entry costs, as no costs are incurred until the product is utilized. Additionally, users incur costs proportionally with the benefits obtained and are not segmented into different tiers at varying price points. This model could be more appealing to cost-conscious end-users and result in greater customer stickiness.

Sources:  
(1) Dataspire

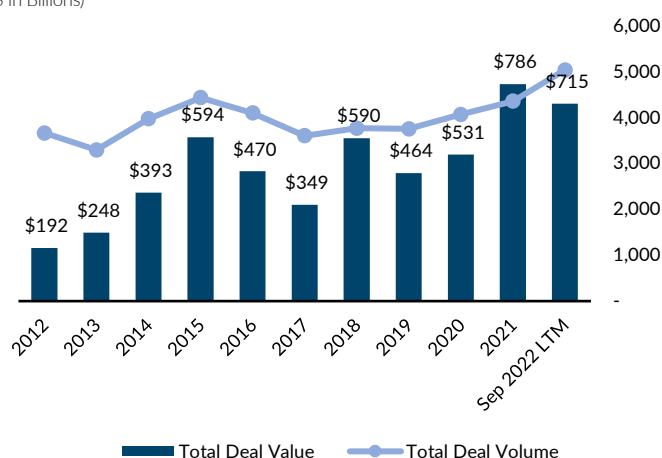
# Q3 2022 Market Summary & Outlook

## M&A MARKET DYNAMICS – SOFTWARE & TECHNOLOGY

- The third quarter of 2022 saw a continued decrease in deal volume and a sharp decline in deal value, with 1,061 transactions in the quarter combining for \$81B in value.
- There is still strong appetite for M&A, though buyers continue to focus on higher-performing, smaller targets. Processes initiated before macro fears heightened are now being completed, and the coming quarters could reflect the increased economic concerns.
- Q3 2022 represents a sizeable decline compared to Q3 2021, specifically from a deal value standpoint, with total deal value down 63% and volume down 14%. The quarter continued the trend of selective buyers pursuing smaller companies, and volumes remain on par with historical averages despite the uncertainty.

GLOBAL SOFTWARE AND TECHNOLOGY M&A VOLUME

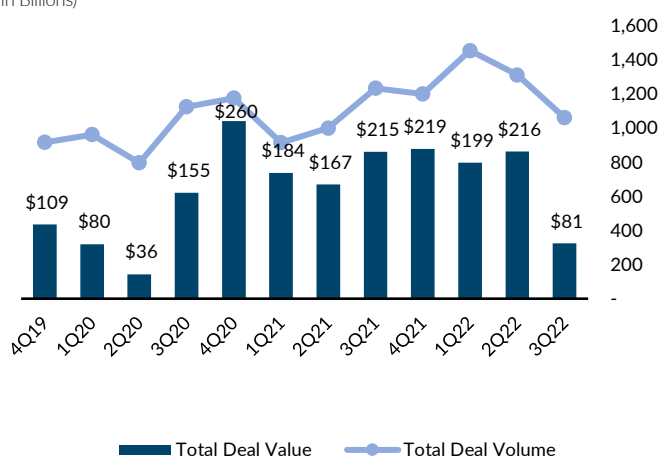
(\$ in Billions)



Source: 451 Research

GLOBAL SOFTWARE & TECHNOLOGY M&A VOLUME

(\$ in Billions)



Source: 451 Research

## SECTOR SPOTLIGHT: Agtech

Agricultural technology, or agtech, encompasses a range of technologies aimed at increasing crop yield, improving farming efficiency, providing financial resources for agricultural operations, and additional applications. The technologies in this sector can include software, biotech inputs, and hardware such as sensors and machinery. Growing subsectors within the space include biotech, indoor farming, agrifinance, animal ag, and precision ag, among others.

There is increased investment within the segment, with investors focusing more on food security, environmentally friendly agricultural practices, and data-driven productivity gains. Big players such as Kellogg and General Mills are now allocating funds toward regenerative agricultural practices. As the regulatory landscape evolves and sustainable farming practices are further scrutinized, new entrants will drive innovation, while large companies may look to M&A as a key growth avenue.

## TECHNOLOGY COMPANY SPOTLIGHT: Greenfield Incorporated

Ownership: Privately Held (VC-backed)  
Headquarters: Wichita, KS  
Operations: United States

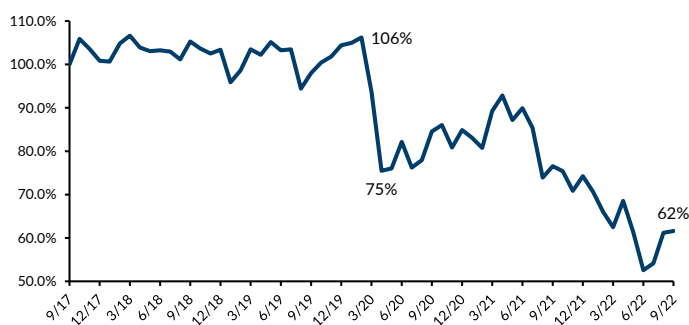


### Business Description:

- Developer of robotic weed control systems to drive harmful chemicals out of food production
- Greenfield's technology enables large-scale regenerative agriculture that avoids the problems of tillage and chemicals in traditional food production.
- The company utilizes a Robots-as-a-Service model, with a fully autonomous fleet including bots for field clearing, weed controlling, cover crop planting, soil testing, and grazing.

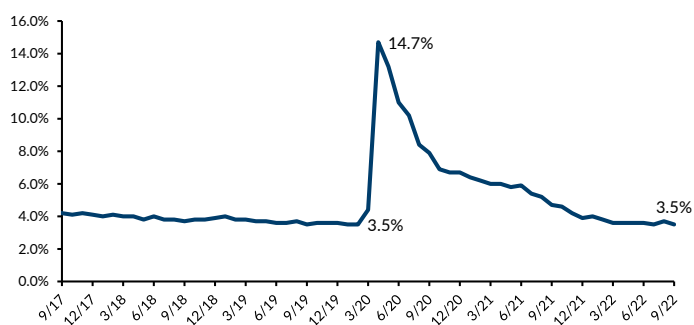
# Macroeconomic Trends & Signals

## CONSUMER CONFIDENCE INDEX (CCI)



Source: Federal Reserve Bank of St. Louis

## U.S. UNEMPLOYMENT RATE



Source: Federal Reserve Bank of St. Louis

The CCI rebounded from its Q2 2022 lows, rising to 62% in September, though it remains low relative to historical averages as recession fears persist.

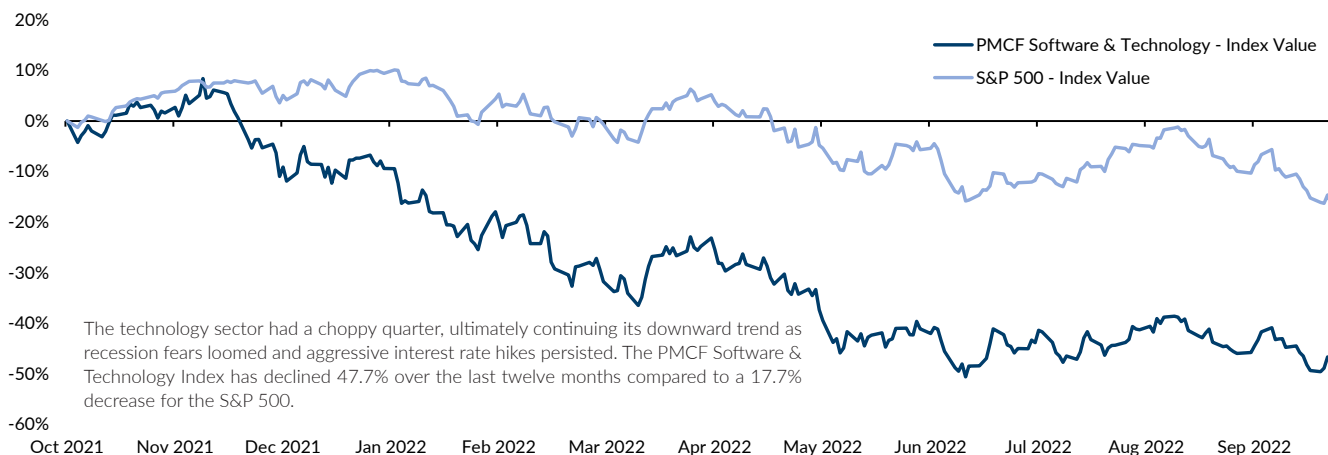
The U.S. unemployment rate was largely unchanged during the third quarter, ending September at a healthy 3.5%.

## PUBLIC SaaS MEDIAN ANNUAL RUN-RATE REVENUE (ARR) MULTIPLE



Source: SaaS Capital index of 69 B2B publically traded SaaS companies

## PMCF SOFTWARE & TECHNOLOGY INDEX - MARKET VALUATION



Source: Capital IQ - PMCF Technology Index of 29 publically traded SaaS companies

# Software & Technology M&A Activity

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## Strategic Acquisition

Community Brands acquires BigSIS

Community Brands, a leading provider of cloud-based software and payment solutions for nonprofits and K-12 schools, acquired Boulder-based BigSIS, a cloud-based School Management and Student Information System (SIS) platform. The acquisition expands Community Brands' K-12 footprint with an all-in-one solution encompassing admission, enrollment, tuition, fundraising, and academic functions. Terms of the transaction were not disclosed.

## Bolt-On Acquisition

Falfurrias Capital acquires Decode\_M

Falfurrias Capital, an operationally-focused private equity firm, acquired Denver-based Decode\_M, an advanced analytics company that utilizes its proprietary MFactor tool to measure the cultural momentum of brands, products, people, and movements. The acquisition is one of several being combined into the new entity Penta, a comprehensive stakeholder solutions firm. Terms of the transaction were not disclosed.

## Platform Acquisition

K1 Investment Management  
acquires Ocelot

K1 Investment Management, a leading B2B software investment firm, acquired Boulder-based Ocelot, a leading edtech AI communications and student engagement platform. Ocelot serves nearly 500 colleges and universities and provides live chat support coupled with a vast library of instructional content. The previously bootstrapped Ocelot was acquired for \$117M.

## Strategic Acquisition

Equifax acquires Midigator

Equifax, a global data, analytics, and technology company and one of the leading credit bureaus in the United States, acquired Salt Lake City-based Midigator, a provider of post-transaction fraud mitigation solutions. Midigator's technology platform automates the dispute response process and will leverage the Equifax Cloud platform to expand the previously-acquired Kount business going forward. Terms of the transaction were not disclosed.

Sources: Company Press Releases, CapIQ, Pitchbook

# Software & Technology M&A Activity (Cont.)

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## Platform Acquisition

Antarctica Capital acquires  
Descartes Labs

Antarctica Capital, an international private equity firm with a focus on digital infrastructure and data analytics, acquired Santa Fe-based Descartes Labs, a geospatial intelligence company servicing commercial and government clients. Descartes Labs' SaaS platform automates geospatial imagery analysis through artificial intelligence and machine learning. Terms of the transaction were not disclosed.

## Strategic Acquisition

Cloverleaf Networks acquires  
Ryver

Cloverleaf Networks, a communications enabler providing bandwidth, cloud, and cybersecurity services, acquired Scottsdale-based Ryver, an IoT platform enabling communication, task management, and process automation. The combination allows the Ryver technology to be paired with Cloverleaf's existing services and create a portfolio of wireless and wireline connectivity, proprietary CLOE software, and IoT communication. Terms of the transaction were not disclosed.

## Strategic Acquisition

Analytics8 acquires Mashey

Analytics8, a data and analytics consulting firm specializing in the design, development, and deployment of modern data solutions, acquired Denver-based Mashey, a high-end data analytics consultancy focused on modern data technology. The acquisition expands Analytics8's capabilities to include dbt, Fivetran, Snowflake, Airbyte, and more. Terms of the transaction were not disclosed.

## Strategic Acquisition

Adobe acquires Figma

In one of the quarter's largest transactions, Adobe Inc. (NASDAQ: ADBE), a global leader in content creation, document management, and digital marketing and advertising software, announced an agreement to acquire Figma, a collaboration software company popular with software developers and product managers. The transaction allows Adobe to mitigate a small but fast-growing rival and target a new customer segment. The acquisition values Figma at \$19.4B.



# Software & Technology M&A Activity (Cont.)

## SELECT SOFTWARE & TECHNOLOGY TRANSACTIONS

\$ in Millions

Announced Date	Target	Buyer	Implied EV	EV/TTM Revenue
Sep-22	Newcomp Analytics Inc.	Converge Technology Solutions Corp.	\$16	0.6x
Sep-22	Digital Media Solutions, Inc.	Prism Data, LLC	332	0.8x
Sep-22	SenseHawk, Inc.	Reliance Industries Limited	40	34.6x
Sep-22	ChannelAdvisor Corporation	Commerce Technologies, LLC	648	3.8x
Aug-22	Blockchain Foundry Inc.	WonderFi Technologies Inc.	4	3.6x
Jul-22	Zymergen Inc.	Ginkgo Bioworks Holdings, Inc.	296	20.3x
Jul-22	AutoWeb, Inc.	One Planet Group, LLC	10	0.1x
Jul-22	MST Solutions, L.L.C.	Mastek Inc.	112	4.5x
Jun-22	Datum Consulting Group, LLC	Alithya Group Inc.	46	2.6x
May-22	PC Specialists, Inc.	Converge Technology Solutions Corp.	74	0.2x
May-22	Redbox Entertainment Inc.	Chicken Soup for the Soul Entertainment, Inc.	282	1.0x
May-22	RealNetworks, Inc.	UNDISCLOSED	26	0.5x
May-22	ServiceSource International, Inc.	Concentrix Corporation	172	0.9x
Apr-22	GTY Technology Holdings Inc.	GI Manager L.P.	417	6.6x
Apr-22	Rizing, LLC	Wipro Limited	575	3.0x
Apr-22	Futbin and related assets	Better Collective A/S	113	8.1x
Apr-22	Coinberry Limited	WonderFi Technologies Inc.	11	1.1x
Apr-22	Creative Breakthroughs, Inc.	Converge Technology Solutions Corp.	64	0.7x
Mar-22	Swift Labs Inc.	Blackline Safety Corp.	5	1.5x
Mar-22	RailComm LLC	Tracsis plc	14	2.4x
Mar-22	MediaAgility Inc.	Persistent Systems Limited	72	2.8x
Mar-22	Fintech Meetup, LLC	Hyve Group Plc	55	42.3x
Mar-22	Logistyx Technologies, LLC	E2open, LLC	185	4.6x
Feb-22	Sezzle Inc.	Zip Co Limited	323	2.8x
Feb-22	Loop Integration LLC	Kin and Carta plc	11	1.2x
Feb-22	Assets of Data Glove, Inc.	Persistent Systems Limited; Persistent Systems Germany GmbH	86	1.7x
Feb-22	Tripwire, Inc.	HelpSystems, LLC	350	3.3x
Feb-22	SOC Telemed, Inc.	Patient Square Capital, LP	360	3.8x
Jan-22	Pratum, Inc.	Infinite Group, Inc.	9	1.9x
Jan-22	Vitalyst, LLC	Alithya Group Inc.	45	1.7x
Jan-22	Credly, Inc.	Pearson plc	246	18.5x
Jan-22	EdgeCast, Inc.	Limelight Networks, Inc. (nka:Edgio, Inc.)	205	0.6x
Dec-21	Startek, Inc.	Capital Square Partners Pte Ltd	98	0.6x
Dec-21	Edgile, LLC	Wipro Limited	230	5.2x
Dec-21	CompuGain LLC	Unisys Corporation	87	1.5x
Dec-21	ITRenew, Inc.	Iron Mountain Incorporated	905	2.2x
Dec-21	OPIN Inc.	Portage CyberTech Inc.	5	1.7x
Dec-21	CognisantMD	WELL Health Technologies Corp.	19	6.1x
Nov-21	MindBeacon Holdings Inc.	CloudMD Software & Services Inc.	24	1.5x
Nov-21	Catapult Systems, LLC	Quisitive, LLC	52	1.0x
Nov-21	Zix Corporation	Open Text Corporation	710	2.9x
Nov-21	Codifyd, Inc.	Pivotree Inc.	16	1.2x
Oct-21	Resetera, LLC	M.O.B.A. Network AB (publ)	5	6.5x
Oct-21	BioDiscovery, Inc.	Bionano Genomics, Inc.	100	27.8x
Oct-21	AgJunction Inc.	Kubota Corporation	66	5.4x
Oct-21	LPA Software Solutions, LLC	Converge Technology Solutions Corp.	12	0.9x
Median			\$72.9	2.3x
Mean			\$163.7	5.4x

Source: Capital IQ, company websites and PMCF proprietary research



# Public Equity Market Valuations

## PUBLIC COMPARABLES

\$ in Millions

Company Name	Primary Industry	Market Cap.	Enterprise Value	TTM Revenue	TTM Gross Margin	TTM EBITDA Margin	Net Debt/ EBITDA	EV / TTM Revenue
Fastly, Inc.	Internet Services and Infrastructure	\$1,107	\$1,178	411	47.9%	(46.7%)	(0.6x)	3.0x
Nutanix, Inc.	Application Software	4,729	4,847	1,581	79.7%	(23.5%)	(0.3x)	3.1x
Qualys, Inc.	Systems Software	5,348	4,891	469	78.9%	35.0%	(2.5x)	10.9x
Q2 Holdings, Inc.	Application Software	1,845	2,182	533	45.0%	(9.3%)	(6.8x)	4.1x
BlackLine, Inc.	Application Software	3,858	4,251	498	75.1%	(9.6%)	(7.4x)	9.0x
New Relic, Inc.	Application Software	3,863	3,566	821	68.2%	(22.3%)	1.7x	4.3x
Appian Corporation	Systems Software	2,958	2,877	447	71.8%	(27.6%)	0.3x	6.8x
Kinaxis Inc.	Application Software	2,756	2,571	337	64.8%	10.1%	(5.2x)	8.8x
ACI Worldwide, Inc.	Application Software	2,384	3,421	1,437	52.7%	19.6%	3.3x	2.4x
Box, Inc.	Application Software	3,471	4,170	942	72.9%	7.0%	3.2x	4.4x
Momentive Global Inc.	Application Software	858	885	476	84.1%	(16.7%)	(0.5x)	1.9x
Bandwidth Inc.	Alternative Carriers	301	651	542	42.7%	2.4%	25.8x	1.2x
LivePerson, Inc.	Application Software	707	1,026	505	64.8%	(26.6%)	(2.4x)	2.0x
SPS Commerce, Inc.	Application Software	4,474	4,234	432	65.9%	21.7%	(2.3x)	10.2x
2U, Inc.	Education Services	484	1,305	971	71.6%	(3.1%)	(27.5x)	1.3x
SecureWorks Corp.	Systems Software	684	536	499	59.4%	(10.0%)	2.9x	1.1x
Workiva Inc.	Application Software	4,073	4,018	515	75.8%	(14.7%)	0.8x	8.1x
Cardlytics, Inc.	Application Software	309	390	306	38.4%	(27.1%)	(1.2x)	1.3x
Yext, Inc.	Application Software	551	487	400	74.6%	(19.4%)	0.8x	1.2x
PROS Holdings, Inc.	Application Software	1,119	1,233	270	59.8%	(24.4%)	(1.8x)	4.7x
Zuora, Inc.	Systems Software	954	763	372	60.7%	(21.3%)	2.4x	2.1x
Upland Software, Inc.	Application Software	257	646	314	67.5%	15.2%	5.9x	2.1x
Domo, Inc.	Application Software	616	663	285	74.9%	(38.3%)	(0.4x)	2.3x
HealthStream, Inc.	Health Care Technology	650	635	263	65.5%	11.9%	(0.9x)	2.4x
Benefitfocus, Inc.	Application Software	217	446	255	50.9%	3.8%	15.4x	1.7x
ChannelAdvisor Corporation	Application Software	655	579	172	76.1%	11.9%	(3.7x)	3.4x
Brightcove Inc.	Internet Services and Infrastructure	264	260	214	64.7%	2.5%	(1.2x)	1.2x
Synchronoss Technologies, Inc.	Application Software	101	329	275	63.4%	7.8%	6.8x	1.2x
CareCloud, Inc.	Health Care Technology	63	67	144	38.0%	11.4%	0.1x	0.5x
<b>Median</b>					<b>65.5%</b>	<b>(9.3%)</b>	<b>(0.4x)</b>	<b>2.4x</b>
<b>Mean</b>					<b>64.0%</b>	<b>(6.2%)</b>	<b>0.2x</b>	<b>3.7x</b>

Market capitalizations and total enterprise values as of September 30, 2022; income statement and balance sheet data as of last period reported

Currency conversions assume historical rate

Source: Capital IQ



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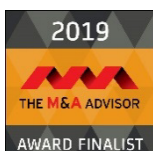
2021 M&A ATLAS AWARD WINNER – USA MIDDLE MARKETS  
*ENERGY PRODUCTS & SERVICES DEAL OF THE YEAR*



2020 M&A ATLAS AWARD WINNER – AMERICAS  
*PLASTICS & PACKAGING DEAL OF THE YEAR*



2019 MiBiz DEAL OF THE YEAR WINNER  
*MANUFACTURING DEAL OF THE YEAR*



2019 M&A ADVISORS AWARD FINALIST  
*BOUTIQUE INVESTMENT BANK OF THE YEAR*

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