

SOFTWARE & TECHNOLOGY M&A PULSE

THIRD QUARTER 2021



Q3'21

INSIDE THIS ISSUE

What We're Discussing with Clients	PAGE 3
Q3 2021 Market Summary & Outlook	PAGE 4
Macroeconomic Trends & Signals	PAGE 5
Software & Technology M&A Activity	PAGES 6-8
Public Equity Market Valuations	PAGE 9

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.

INVESTMENT BANKING SERVICES:

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



ADAMS PRICE

Managing Director
303.846.1342
Adams.Price@pmcf.com



MATT RUPPRECHT

Director
248.603.5210
Matt.Rupprecht@pmcf.com



JAYSON GITT

Vice President
303.796.4349
Jayson.Gitt@pmcf.com



COREY SCHREIBER

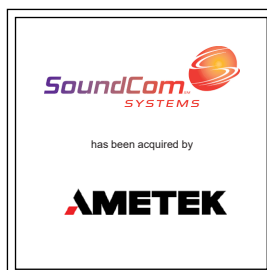
Associate
303.846.3378
Corey.Schreiber@pmcf.com



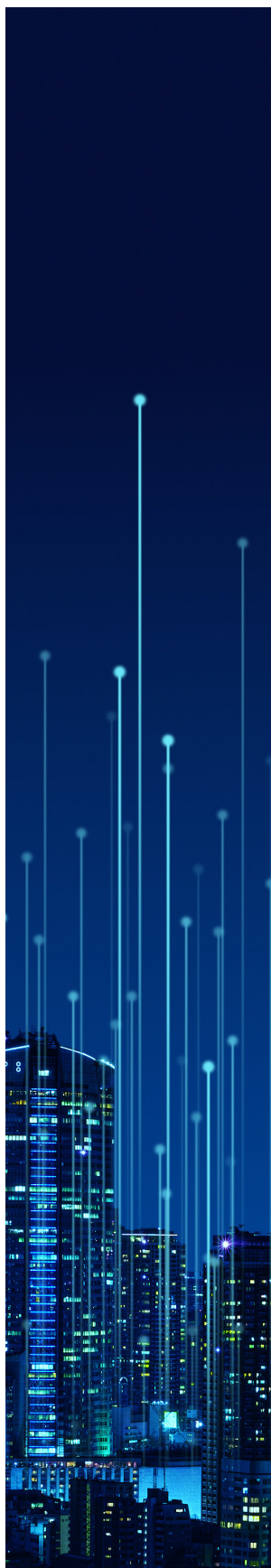
KURT GOSS

Associate
303.846.3523
Kurt.Goss@pmcf.com

SELECT PMCF TECHNOLOGY TRANSACTIONS



What We're Discussing with Clients



DEFENSIBLE FINANCIAL PROJECTIONS

When preparing to go through a sale process or approach capital providers, it is imperative to construct well-thought-out five-year financial projections with clear assumptions. When building financial projections, assumptions must be defensible, as buyers and lenders alike will scrutinize assumptions along several vectors, including growth, churn, gross profit, CAC, etc. Revenue assumptions should utilize historic SaaS metrics to forecast the Company's performance, while expenses should be properly categorized into COGS and OpEx to gain insight into the Company's ability to leverage OpEx efficiencies, driving improved margins as the Company continues to scale.

KNOW YOUR KEY METRICS

Equally as important as financial projections are understanding key operating metrics for both historical and projected periods. Potential buyers interested in SaaS businesses dig deep into key operating metrics. Because of the importance of customer retention and the value that customer creates, potential buyers focus on metrics that help understand the client relationship, its longevity, profitability and client-base growth. Important metrics include MRR & ARR, CAC, CLTV, churn/retention, as well as user growth and margins.

PITFALLS OF REVENUE RECOGNITION

Many a recurring revenue operation has been tripped up over revenue recognition during the buy-side quality of earnings review. With the recently updated requirements for GAAP revenue recognition, it is important for CFOs to review the recognition and implement any necessary changes prior to entering the market for new investment or a sale. Quality of Earnings Reviews are designed to identify anomalous accounting situations, such as revenue recognition that is incompatible with GAAP and to make the resulting adjustments to revenue for valuation of a company, which could result in materially different enterprise value.

DEFENDING GROWTH

On the heels of a strong economy, myriad growth and expansion opportunities exist for companies. When going through a sale process, it is imperative that the seller can clearly articulate its growth plan. This is accomplished through the communication of a thoughtful growth strategy combined with the demonstration of traction against the plan. Buyers discount the often seen "future hockey stick" growth trajectory without a clear path and support for the trend.

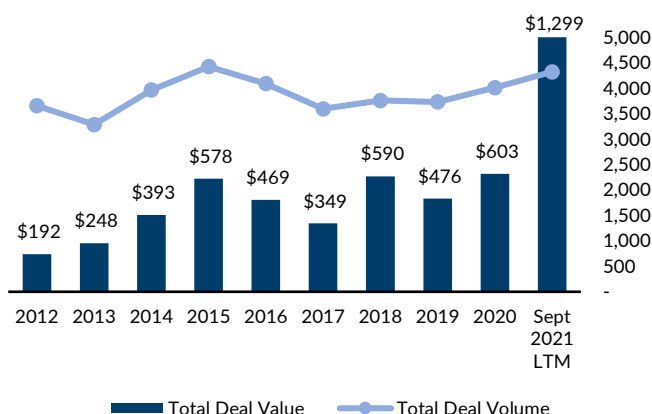
Q3 2021 Market Summary & Outlook

M&A MARKET DYNAMICS – SOFTWARE & TECHNOLOGY

- The third quarter of 2021 was like that of the first quarter, with global M&A volume registering a value of \$359B with 1,174 deal announcements, making it the second-best quarter on record in terms of value
- Propelled by the unprecedented transaction values through the first nine months, aggregate deal volume surpassed the trillion-dollar mark for the first time. This is largely driven by a substantial increase in spending by strategic buyers compared to 2020, the highest number of \$1B+ transactions, and continued strong investment by financial buyers.
- Deal volume increased 9% in the first nine months of 2021 when compared to the first nine months of 2020, with the number of transactions climbing to 3,138

GLOBAL SOFTWARE & TECHNOLOGY M&A VOLUME

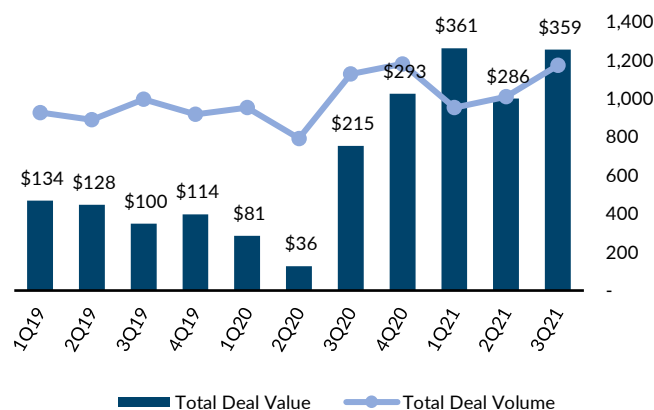
(\$ in Billions)



Source: 451 Research

GLOBAL SOFTWARE & TECHNOLOGY M&A VOLUME

(\$ in Billions)



Source: 451 Research

SECTOR SPOTLIGHT: INFORMATION SECURITY

In 2021, information security became a priority for Chief Information Officers globally as it became clear that working remotely is a long-term trend. The growing sophistication of ransomware attacks and rapidly increasing threat surfaces make data breaches increasingly probable. To address this need, data protection & encryption solutions provide backup in the event of ransomware attacks.

The shift to working from home that COVID spurred in March 2020 brought a heightened demand for security services as operational technology attacks increased more than 2,000% compared to 2019⁽¹⁾. Companies worldwide tasked CIOs to make security a priority, as investments in enterprise security are now reaching the mid-double digits, with most major software categories surpassing 20% growth⁽²⁾. Information security will continue to be a focus of enterprises globally as the office disruption impacts of the COVID-19 pandemic are likely here to stay.

TECHNOLOGY COMPANY SPOTLIGHT: Arctic Wolf



Ownership: Privately-owned
Headquarters: Eden Prairie, MN
Operations: Global

Business Description:

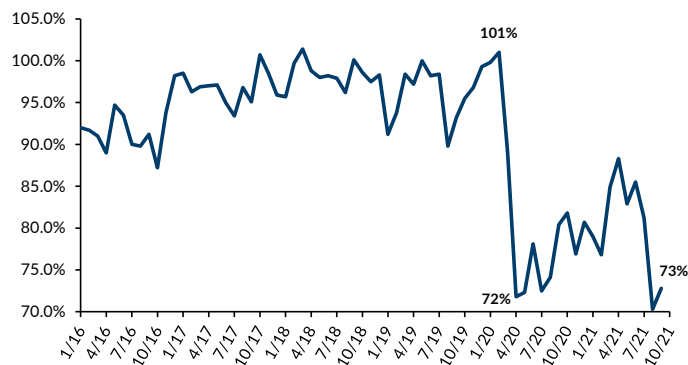
- Developer of a cybersecurity platform designed to keep valuable business data safe. The company's platform offers continuous vulnerability and risk management and uses APIs and machine learning to offer real-time monitoring, analysis and alerts on user's behavioral and cloud resources, enabling businesses to combat cyber-crime and detect threats without the need of building their own security operations center.

1.) PitchBook, Cybersecurity startups near record funding as hacks take spotlight

2.) PitchBook, Emerging Tech Research: Information Security Q3 2021 VC update

Macroeconomic Trends & Signals

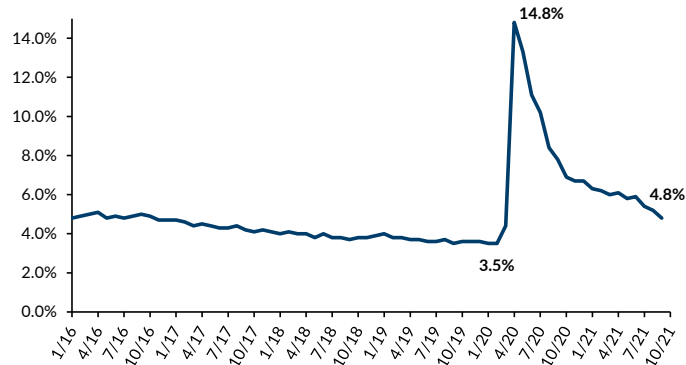
CONSUMER CONFIDENCE INDEX (CCI)



Source: Federal Reserve of St. Louis

The CCI plunged to a low in August 2021 as concerns over the delta variant and elevated prices weigh negatively on American's view of the economy

U.S. UNEMPLOYMENT RATE



Source: Federal Reserve Bank of St. Louis

The U.S. unemployment rate peaked at 14.8% in April 2020 amid job loss driven by COVID-related shutdowns, but has declined to 4.8% over the last 17 months

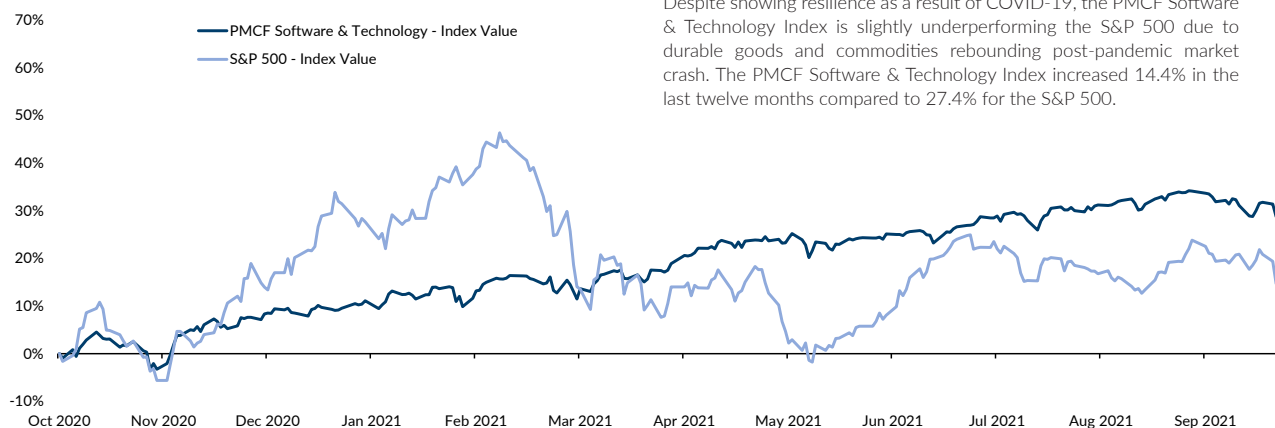
PUBLIC SaaS MEDIAN ANNUAL RUN-RATE REVENUE (ARR) MULTIPLE



After the pandemic-crash in March 2020, public SaaS valuations rose dramatically on the growth in remote work and rapid global digital transformation investment. Since peaking at that all-time high in December, the SCL has traded in a narrow range of 14.5x to 16.4x.

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

PMCF SOFTWARE & TECHNOLOGY INDEX - MARKET VALUATION



Despite showing resilience as a result of COVID-19, the PMCF Software & Technology Index is slightly underperforming the S&P 500 due to durable goods and commodities rebounding post-pandemic market crash. The PMCF Software & Technology Index increased 14.4% in the last twelve months compared to 27.4% for the S&P 500.

Source: Capital IQ - PMCF Technology Index of 34 publicly traded SaaS companies

Software & Technology M&A Activity

Strategic Acquisition

Tithe.ly acquires Breeze

Tithe.ly, a developer of payment application designed to assist people to make donations to the church, acquired Grand Rapids-based Breeze, a user-friendly web-based church management SaaS platform that serves over 9,000 church organizations. With the acquisition of Breeze, Tithe.ly will be able to add incredible technology and features to its arsenal of tools for churches. Terms of the acquisition were not disclosed.

Platform Acquisition

ServiceMax acquires
LiquidFrameworks

ServiceMax, a provider of a field-service management platform, acquired Houston-based LiquidFrameworks, a developer of a cloud-based mobile field operation management software intended to automate the quote-to-cash process for field service companies, via its financial sponsor, Silver Lake. The acquisition strengthens ServiceMax's offering of tailored field service management solutions to the energy industry. Total consideration of the acquisition was \$145 million (6.7x revenues).

Strategic Acquisition

Persistent Systems acquires
Software Corporation International

Persistent Systems, a provider of software product and technology services to start-ups, innovative enterprises and technology brands, acquired Charlotte-based Software Corporation International, a provider of cloud-based FTM deployments intended for payment systems marketplace. The acquisition helps Persistent Systems to expand its expertise as well as client portfolio. Total consideration of the acquisition was \$46 million (2.7x revenues).

Platform Acquisition

Aurea acquires XANT

Aurea Software, an operator of a data integration software company intended to accelerate digital transformation, acquired Utah-based Xant, an operator of an enterprise sales engagement platform intended to accelerate revenue by improving the productivity, visibility and effectiveness of sales teams. XANT will become a pillar of Aurea's future of commerce solutions portfolio in a quest to create B2C-like buying experiences for B2B transactions. This is Aurea's 17th acquisition since its founding. Terms of the acquisition were not disclosed.

Sources: Company Press Releases, CapIQ, Pitchbook

Software & Technology M&A Activity (Cont.)

Platform Acquisition

Otava acquires NewCloud

Otava, a provider of information technology services intended to provide secure and compliant hybrid cloud services for service providers, acquired Denver-based NewCloud Networks, a provider of cloud computing services. The acquisition of NewCloud bolsters Otava's solutions portfolio, adds a nationwide 10Gb network and adds to Otava's geographic footprint for a total of eighteen cloud nodes available worldwide. Otava is backed by Schurz Communications, a diversified media company. Terms of the acquisition were not disclosed.

Strategic Acquisition

UPSTACK acquires
Open Communications

UPSTACK, a developer of software solution for buying, selling, and managing data center services, acquired Utah-based Open Communications, an IT consulting firm specializing in network, contact center as a service (CCaaS) and unified communications as a service (UCaaS). The acquisition is part of UPSTACK's strategy to accelerate the growth of its industry-transforming platform, which combines leading internet infrastructure advisors with proprietary software and dedicated support resources. Terms of the acquisition were not disclosed.

Strategic Acquisition

Sporttrade acquires
Momentum Entertainment

Sporttrade, a developer of peer-to-peer sports betting marketplace designed for users to buy and sell outcomes of sporting events like stocks, acquired Denver-based Momentum Sports, an online sports betting platform. The acquisition will allow Sporttrade to expand into Colorado. Terms of the acquisition were not disclosed.

Strategic Acquisition

Salesforce acquires Slack

In one of the largest tech transactions of the third quarter, Salesforce, a provider of enterprise cloud computing solutions, acquired Slack, a software-as-a-service platform that brings together people, applications, and data, for \$27.7 billion (33.3x revenues). The combination of Salesforce and Slack also brings together two of the software industry's most dynamic communities, creating an open and extensive ecosystem that will deliver the next generation of digital-first apps and workflows for business.

Software & Technology M&A Activity (Cont.)

SELECT SOFTWARE & TECHNOLOGY TRANSACTIONS

\$ in Millions

Announced Date	Target	Buyer	Implied EV	EV/TTM Revenue
Sep-21	HVR Software	Fivetran	\$700	20.0x
Sep-21	Zerto	Hewlett Packard Enterprise	374	2.9x
Sep-21	Agent Vi	Irisity	68	9.6x
Sep-21	Gradeup	BYJU'S	50	6.2x
Sep-21	Elastic.io	Cogia	8	3.2x
Sep-21	PIPEDO HD, Inc.	Advantage Partners, Inc.	158	2.4x
Sep-21	Software Corporation International	Persistent Systems Limited	46	2.7x
Sep-21	KEMP Technologies, Inc.	Progress Software Corporation	258	3.7x
Sep-21	SQLI SA	DBAY Advisors Limited	215	0.9x
Sep-21	Vario Secure Inc.	HEROZ, Inc.	67	3.0x
Sep-21	Technomix International Corporation	Accrete Inc.	3	2.6x
Aug-21	Sqills	Siemens	650	19.4x
Aug-21	Smoothwall	Family Zone Cyber Safety	104	3.5x
Aug-21	GetID	checkin.com	10	16.0x
Aug-21	Ticknovate	Turret	4	15.2x
Aug-21	Avelead Consulting	Streamline Health Solutions	35	3.4x
Aug-21	HealthCheck	Contact World	8	6.5x
Aug-21	Cortex Group	Gix Media Ltd.	16	0.6x
Aug-21	DSP Group, Inc.	Synaptics Incorporated	445	3.5x
Aug-21	Bridge Solutions Group Corp	Pivotree Inc.	16	1.9x
Aug-21	Document Management Business	Swiss Post Solutions AG	55	0.8x
Aug-21	Avelead Consulting, LLC	Streamline Health Solutions, Inc.	35	3.4x
Aug-21	Engagement Labs Inc.	DGTL Holdings Inc.	1	0.6x
Jul-21	Flashpoint	Audax Private Equity	325	8.1x
Jul-21	ChunLab, Inc.	CJ Cheiljedang Corporation	136	27.8x
Jul-21	LiquidFrameworks, Inc.	ServiceMax, Inc.	148	6.7x
Jul-21	GlobalX Information Services	Dye & Durham	130	1.8x
Jul-21	Mivitec	MyLoc Managed IT	5	1.1x
Jul-21	Tarsus Technology Group	Alviva Holdings	13	0.3x
Jul-21	IntSights Cyber Intelligence	Rapid7	335	12.4x
Jul-21	Chorus	ZoomInfo Technologies	575	5.8x
Jul-21	Top of Mind Networks	Black Knight	250	9.6x
Jul-21	Timely	EverCommerce	70	17.2x
Jul-21	MightySignal	Airnow	5	24.5x
Jun-21	SharpSpring, Inc.	Constant Contact, Inc.	219	7.1x
Jun-21	Oncidium Inc.	CloudMD Software & Services Inc.	75	1.5x
Jun-21	Affectiva, Inc.	Smart Eye	71	14.2x
Jun-21	Xyvid, Inc.	V-cube, Inc.	15	2.8x
Jun-21	Ecwid	Lightspeed POS	500	25.0x
Jun-21	Flagship Solutions Group	Data Storage	11	1.1x
May-21	BankCard USA Merchant Services Inc.	Quisitive Technology Solutions, Inc.	185	6.4x
May-21	Lineups.com, Inc.	Catena Media plc	40	5.3x
May-21	DigIn Technologies LLC	FINEOS Corporation Holdings plc	11	1.8x
May-21	Vanguard Software	Wolters Kluwer	110	15.3x
May-21	Spraoi	Fineos	14	2.3x
May-21	Relationship Science	Euromoney Institutional Investor	7	0.9x
Median			\$67.4	3.5x
Mean			\$142.9	7.2x

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	\$4,715	\$4,645	323	56.4%	(40.7%)	0.5x	14.4x
Nutanix, Inc.	Application Software	8,076	8,047	1,394	79.1%	(41.7%)	0.0x	5.8x
Qualys, Inc.	Systems Software	4,334	3,916	384	77.9%	36.4%	(3.0x)	10.2x
Q2 Holdings, Inc.	Application Software	4,525	4,728	453	44.2%	(9.6%)	(4.7x)	10.4x
BlackLine, Inc.	Application Software	6,896	6,838	387	78.9%	(1.9%)	10.3x	17.7x
New Relic, Inc.	Application Software	4,654	4,406	686	69.7%	(24.4%)	1.5x	6.4x
Appian Corporation	Systems Software	6,576	6,391	331	71.9%	(14.2%)	3.9x	19.3x
Kinaxis Inc.	Application Software	3,947	3,734	228	65.3%	4.7%	(20.2x)	16.7x
ACI Worldwide, Inc.	Application Software	3,610	4,644	1,290	51.5%	18.8%	4.3x	3.6x
Box, Inc.	Application Software	3,587	3,917	812	70.8%	6.1%	(3.2x)	4.8x
Momentive Global Inc.	Application Software	2,891	2,902	408	79.1%	(17.4%)	(0.1x)	7.1x
Mimecast Limited	Application Software	4,181	4,085	553	76.4%	17.1%	(1.6x)	7.7x
Bandwidth Inc.	Alternative Carriers	2,267	2,450	432	45.8%	7.0%	6.1x	5.7x
Cornerstone OnDemand, Inc.	Application Software	3,822	4,818	830	70.1%	21.0%	5.7x	5.8x
LivePerson, Inc.	Application Software	4,113	4,018	424	69.5%	(0.9%)	25.2x	9.5x
SPS Commerce, Inc.	Application Software	5,780	5,568	366	66.4%	21.1%	(3.0x)	16.0x
Bottomline Technologies, Inc.	Application Software	1,793	1,814	471	58.3%	9.4%	0.5x	3.8x
2U, Inc.	Education Services	2,505	2,394	886	70.4%	(4.6%)	2.7x	2.7x
SecureWorks Corp.	Systems Software	1,697	1,526	555	58.0%	(0.0%)	654.0x	2.7x
Workiva Inc.	Application Software	7,109	6,890	392	76.1%	(2.7%)	20.7x	17.6x
Cardlytics, Inc.	Application Software	2,773	2,716	225	36.7%	(21.8%)	1.2x	12.1x
Yext, Inc.	Application Software	1,538	1,429	371	75.3%	(19.9%)	1.5x	3.8x
PROS Holdings, Inc.	Application Software	1,575	1,591	246	58.2%	(24.5%)	(0.3x)	6.5x
Zuora, Inc.	Systems Software	2,066	1,931	323	58.5%	(17.4%)	2.4x	6.0x
Upland Software, Inc.	Application Software	1,017	1,390	303	66.3%	16.1%	7.7x	4.6x
Domo, Inc.	Application Software	2,716	2,752	233	74.1%	(29.0%)	(0.5x)	11.8x
HealthStream, Inc.	Health Care Technology	902	874	254	65.6%	14.8%	(0.9x)	3.5x
Benefitfocus, Inc.	Application Software	370	532	266	54.4%	10.7%	2.9x	2.0x
ChannelAdvisor Corporation	Application Software	753	671	156	78.1%	14.9%	(3.5x)	4.3x
Zix Corporation	Application Software	394	705	236	46.4%	16.7%	4.8x	3.0x
Brightcove Inc.	Internet Services and Infrastructure	471	438	212	64.9%	6.3%	(2.9x)	2.1x
Synchronoss Technologies, Inc.	Application Software	205	423	275	59.0%	0.2%	202.4x	1.5x
CareCloud, Inc.	Health Care Technology	111	118	128	39.4%	8.6%	0.6x	0.9x
Synchronoss Technologies, Inc.	Application Software	307	599	280	58.9%	(0.5%)	(24.2x)	2.1x
CareCloud, Inc.	Health Care Technology	121	110	113	38.7%	4.6%	(2.2x)	1.0x
Median					66.3%	0.2%	1.2x	5.8x
Mean					64.0%	(1.2%)	27.7x	7.6x

Market capitalizations and total enterprise values as of September 30, 2021; income statement and balance sheet data as of last period reported

(1) Multiple of EBITDA based on EBITDA inclusive of equity income from affiliates

Currency conversions assume historical rate

Source: Capital IQ



Contact Info



DETROIT

Two Towne Square
Suite 425
Southfield, MI 48076
Phone: 248.223.3300



CHICAGO

120 S. Riverside Plaza
Suite 2100
Chicago, Illinois 60606
Phone: 312.602.3600



DENVER

8181 E. Tufts Avenue
Suite 600
Denver, CO 80237
Phone: 720.370.8181

Recent PMCF Awards



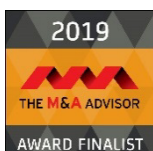
2021 M&A ATLAS AWARD WINNER – USA MIDDLE MARKETS
ENERGY PRODUCTS & SERVICES DEAL OF THE YEAR



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

PMCF | INVESTMENT
BANKING

Experienced Professionals. Trusted Advisors. Proven Results.

This market overview is not an offer to sell or a solicitation of an offer to buy any security. It is not intended to be directed to investors as a basis for making an investment decision. This market overview does not rate or recommend securities of individual companies, nor does it contain sufficient information upon which to make an investment decision.

P&M Corporate Finance, LLC will seek to provide investment banking and / or other services to one or more of the companies mentioned in this market overview.

P&M Corporate Finance, LLC, and / or the analysts who prepared this market update, may own securities of one or more of the companies mentioned in this market overview.

The information provided in this market overview was obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. It is not to be construed as legal, accounting, financial, or investment advice. Information, opinions, and estimates reflect P&M Corporate Finance, LLC's judgment as

of the date of publication and are subject to change without notice. P&M Corporate Finance, LLC undertakes no obligation to notify any recipient of this market overview of any such change.

The charts and graphs used in this market overview have been compiled by P&M Corporate Finance, LLC solely for illustrative purposes. All charts are as of the date of issuance of this market overview, unless otherwise noted.

The listed public equities may not be inclusive of all companies in the Technology industry and is not a composite index of the Technology industry sector returns. Index and sector returns are past performance which is not an indicator of future results.

This market overview is not directed to, or intended for distribution to, any person in any jurisdiction where such distribution would be contrary to law or regulation, or which would subject P&M Corporate Finance, LLC to licensing or registration requirements in such jurisdiction.

For more information, check out our new website, where you can access the electronic version of this report, sign up for future emails, read our latest industry reports, and more!

