

# **SaaS M&A SNAPSHOT:** **3Q22 UPDATE**

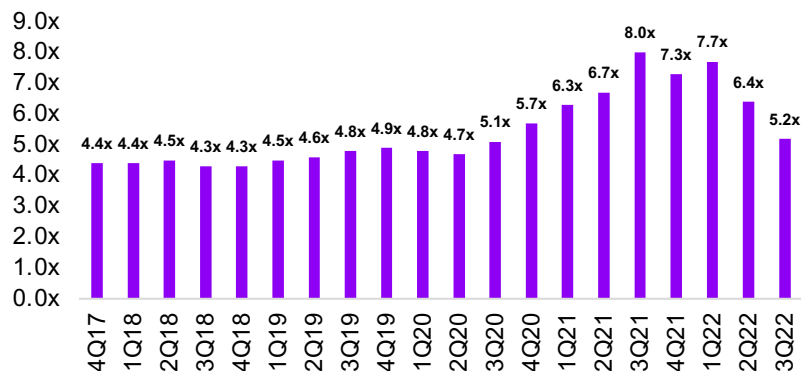
**DESPITE VALUATION METRICS COOLING FROM RECORD HIGHS, DEMAND FOR MISSION-CRITICAL SOFTWARE SOLUTIONS REMAINS ROBUST**

**DEAL FLOW IN THE HEALTHCARE AND FINANCIAL SERVICES SAAS VERTICALS IS STRONG WHILE 'NON-CORE' APPLICATIONS SUFFER A DECLINE IN REVENUE MULTIPLES**

# PRIVATE COMPANY SaaS METRICS

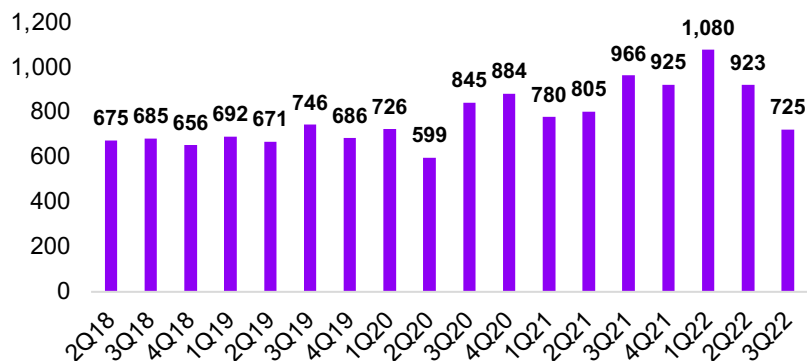
SaaS deal volumes remained broadly flat over the previous three quarters with a sharp decline in Q3. Private M&A valuations have dipped from their peak in Q3-21 but continue to outperform publicly-traded SaaS companies

## MEDIAN EV/TTM REVENUE – QUARTERLY

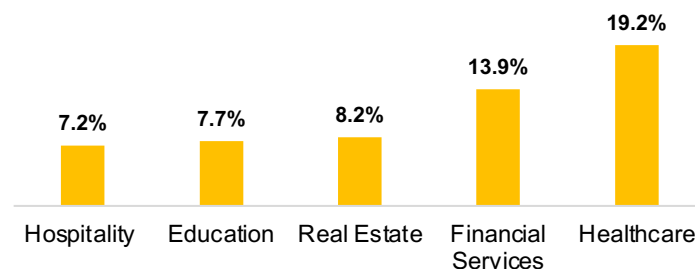


- Despite revenue multiples beginning to cool off from record highs seen at the close of 2021, the relative stability of SaaS transaction volumes speaks to strong demand for high quality, mission critical software applications
- Still benefiting from the early stages of broader digital transformation trends and rapidly evolving markets, strategic buyers continue to pursue M&A opportunities to plug product gaps and enter new markets
- Private equity buyers in particular, that accounted for 55%+ of transactions in 3Q-22, can look beyond near-term changes in investor sentiment and leverage their longer-term investment time horizon when evaluating a business and its prospects
- The median SaaS EV/Revenue multiple dropped 18.75% quarter-on-quarter in 3Q22 to 5.2x, down 35% year-on-year. Notably, private market M&A multiples held up much stronger than public markets which were down 61% year-on-year

## M&A DEAL VOLUME – QUARTERLY



## TOP 5 SAAS M&A VERTICALS <sup>1</sup>

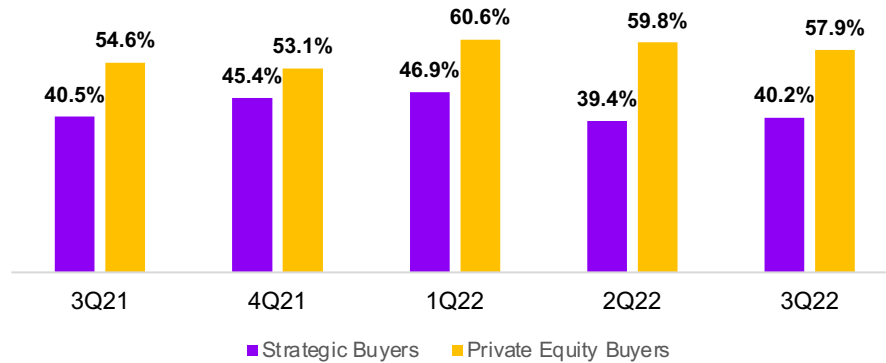


(1) Top vertical deals as a % of all vertical SaaS deals in 3Q22.

# PRIVATE COMPANY SaaS METRICS: BUYER ANALYSIS

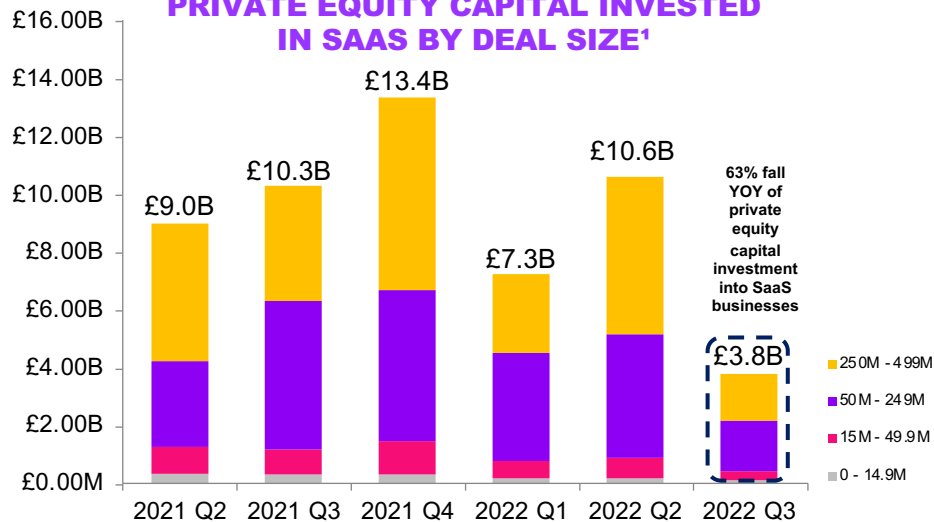
Buyer backing remains consistent with private equity firms driving the bulk of M&A volume, but capital investment has slowed in the face of macroeconomic headwinds

## HISTORICAL M&A ACTIVITY BY BUYER TYPE



- Historic SaaS M&A data indicates that in recent times, private equity investors remain the mainstay for deal flow in the space. After peaking in 1Q-22, executing over 60% of SaaS transactions, private equity share of activity has slowed marginally but investment appetite remains robust despite economic and political headwinds
- Evidence suggests strategic trade buyers responded earlier and more drastically to shifting market conditions by parking strategic M&A to focus on organic growth. Uncertainty around future tax structures and the changing landscape of the debt market could also be contributing to a more bearish M&A market

## PRIVATE EQUITY CAPITAL INVESTED IN SAAS BY DEAL SIZE<sup>1</sup>



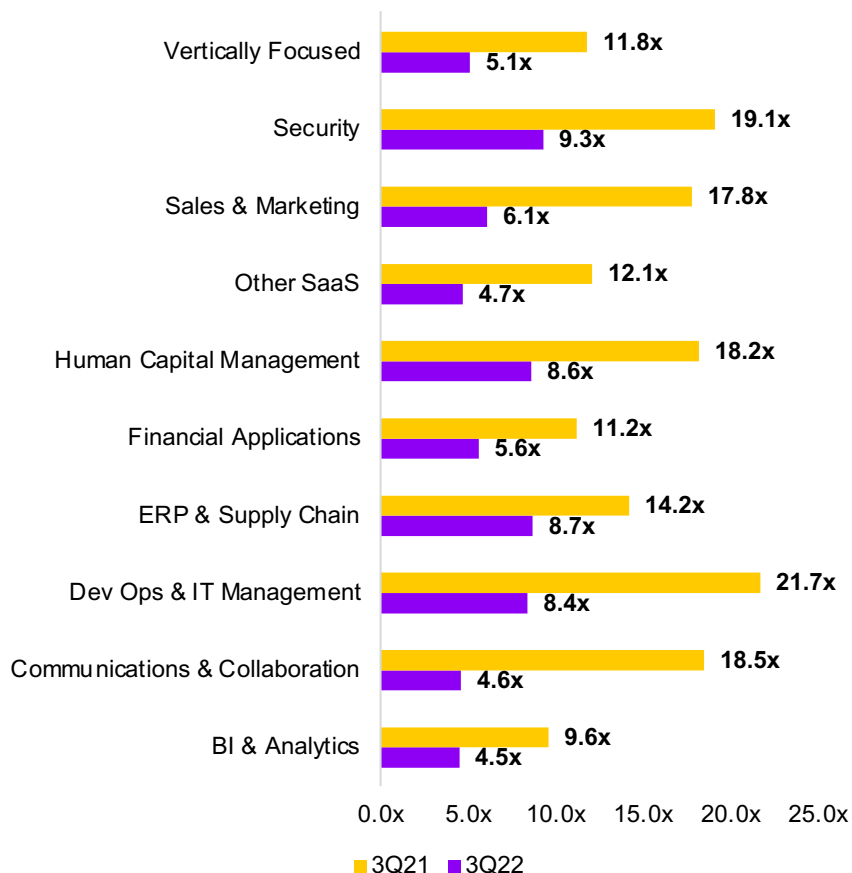
- In line with falling deal volumes, nominal capital investment figures also declined sharply to £3.8bn in Q3-22 representing a 63% drop compared to the prior year
- Relatively speaking, Q3 investment in the lower end of the market (deals up to £250m) held up as the proportion of capital deployed in the larger mid-market segment declined
- Short-term economic headwinds are likely attributable to drastic falls in capital deployment, however high-quality companies exhibiting strong recurring revenue, low churn and a strong value proposition are likely to remain sought after assets

(1) Includes global private equity and M&A transactions up to a maximum EV of £500m, where data is available

# LISTED COMPANY SaaS METRICS

SaaS index – product category financial performance

## MEDIAN EV/TTM REVENUE MULTIPLE

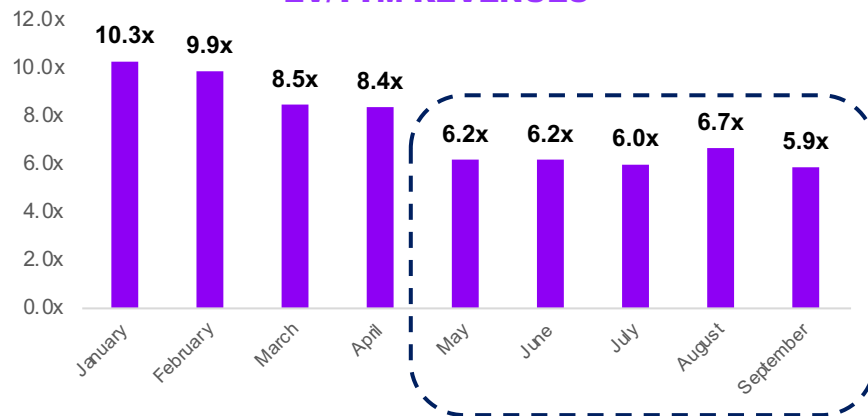


- Despite revenue growth acceleration virtually across the board, every product category saw a decline in revenue multiples from 2021 to 2022
- The median EV/Revenue multiple in 3Q-22 declined 61% year-on-year to **6.3x**

All product categories	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
EV/TTM Revenue	15.2x	16.0x	14.5x	9.8x	7.0x	6.3x
EV/NTM Revenue	12.7x	12.9x	13.3x	7.8x	5.9x	5.5x
EV/TTM Cash EBITDA	47.3x	53.1x	48.9x	38.7x	32.0x	25.1x
TTM Revenue Growth (YoY)	22.5%	24.9%	27.1%	28.4%	27.4%	26.4%

- Companies providing what investors deem as more mission-critical solutions, such as ERP & Supply chain, Security and Financial Applications, have been the most resilient
- A monthly view of median SaaS multiples indicates that valuations may have bottomed out

## SAAS PUBLIC MARKET MULTIPLES – EV/TTM REVENUES





# COOPER PARRY CORPORATE FINANCE

Trusted advisors with a focus on M&A advisory services for tech-enabled services & B2B software companies



## MARK BROCKWAY

**PARTNER** [markbr@cooperparry.com](mailto:markbr@cooperparry.com)

Mark joined Cooper Parry in 2022 as an M&A partner with 25 years' experience of selling privately owned companies across a range of sectors, focusing on tech-enabled business services sector clients.

Mark spent 16 years with EY Corporate Finance where he was head of London mid-market M&A. He has experience from advising on over 50 deals involving private equity, as well as a number of bilateral deals with corporates.

Deal experience includes:

- Sale of Tri.X compliance software to private equity-backed OneTouch
- Sale of QDOS InsureTech group to HCCI Tokio Marine



## NIALL CHANTRILL

**DIRECTOR** [niallc@cooperparry.com](mailto:niallc@cooperparry.com)

Niall joined Cooper Parry in 2011 and has spent the last 10 years working with entrepreneurial businesses and private equity clients operating across the mid-market.

Niall has a strong focus on working with businesses and entrepreneurs in the Technology B2B software spaces.

Notable recent deals include:

- Advised the shareholders of Nourish on the MBO backed by Livingbridge
- Sale of Tri.x to August Equity



## OUR SaaS DEALS IN 2022



- Nourish provides digital care planning software to the UK social care sector
- Founded in 2011, Nourish is a cloud-hosted Digital Care Planning Platform supporting care providers and carers in the evidencing, and accessing of care records
- Livingbridge's investment will enable Nourish to further develop its best-in-class platform, continue to innovate in the use data to improve care outcomes



- Tri.x provides subscription-based on-line policies and procedures manuals to the UK social care sector and has been part of Birmingham-based Antser Group since it was acquired in 2019
- August is a long-term investor with particular emphasis on businesses with technology-led applications

**14 DEALS COMPLETED**

**IN THE LAST 18 MONTHS**

**£500m+**

**TOTAL DEAL VALUE ADVISED ON**

**£40m**

**AVERAGE DEAL SIZE**

**70%**

**DEALS INVOLVING PRIVATE EQUITY**

**40%**

**INVOLVED AN INTERNATIONAL BUYER**