

SaaS M&A SNAPSHOT: **Q1-24 UPDATE**

SOFTWARE MARKETS EXPERIENCED A REBOUND IN ACTIVITY IN THE FIRST QUARTER OF 2024 AFTER A SLUGGISH END TO LAST YEAR. HIGH-PERFORMING BUSINESSES WITH DEMONSTRABLE GROWTH CONTINUE TO BE SOUGHT AFTER BY INVESTORS.

THIS UPDATE CONTAINS:

- **PRIVATE COMPANY SaaS METRICS**
- **BUYER TYPES**
- **SaaS END MARKET FOCUS**
- **LISTED COMPANY METRICS**
- **ACTIVE UK INVESTORS & STRATEGIC CORPORATES**

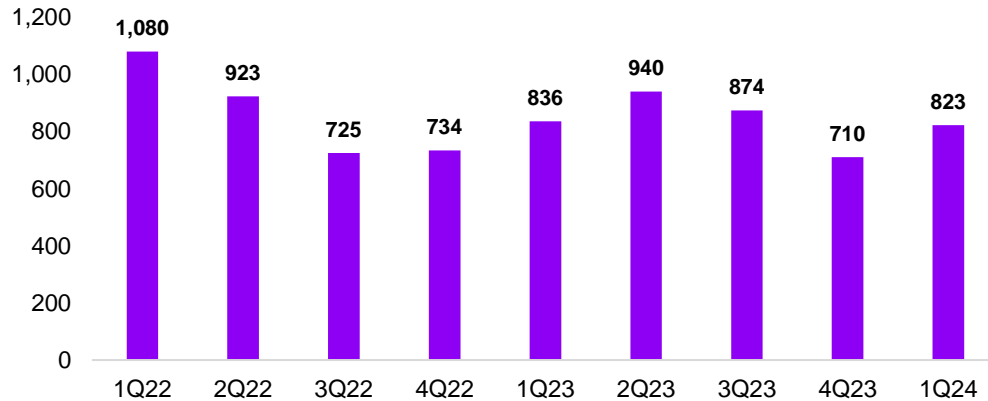
COOPER PARRY
DEALS

REACH

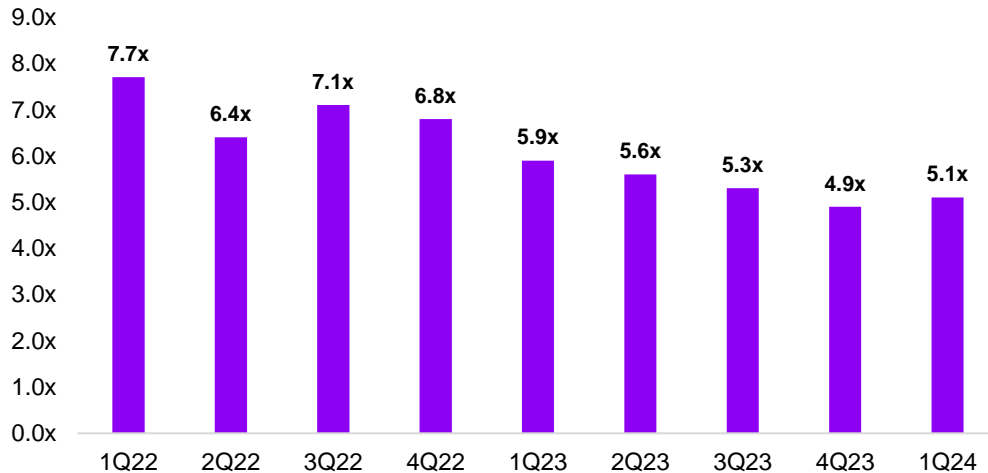
PRIVATE COMPANY SaaS METRICS

After a period defined by significant market headwinds, software M&A growth is on the horizon

Software M&A Deal Volume - Quarterly



Software Average EV/TTM Revenue multiple - Quarterly

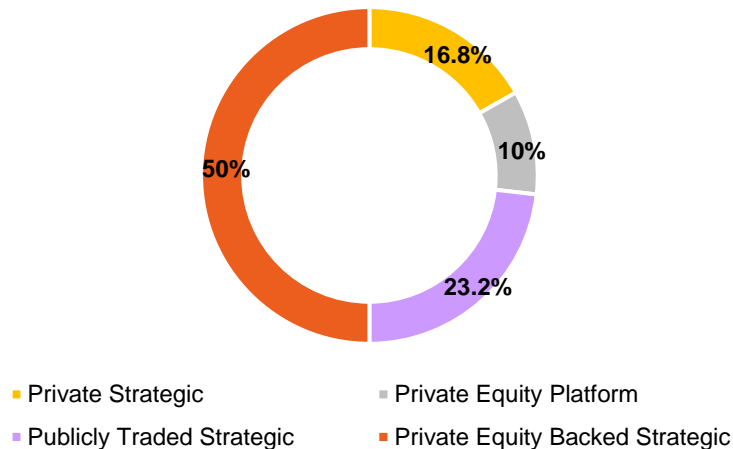


- The wider software industry experienced a strong start to the year with 823 deals, up 16% quarter-over-quarter versus 4Q-23. The rebound from the back end of last year, which saw sluggish deal activity and longer transaction lead times, is indicative of growing confidence in the software M&A market.
- B2B SaaS companies continue to be highly sought-after acquisition targets with current significant deal activity in verticals such as regulation technology where there is high demand for software to aid compliance and security. Acquirers and investors are increasingly looking for targets to demonstrate profitability alongside recurring revenue growth.
- The average EV/TTM Revenue multiple for SaaS M&A showed recovery, rising to 5.1x in 1Q-24. With difficult market conditions suppressing trading throughout 2023, we would expect multiples to continue along this upward trajectory throughout 2024.
- A large factor underpinning a return to growth for software M&A is the flow of VC funding back into the market. Down the line, this typically creates a cohort of businesses on the acquisition trail or where rapid growth makes them ripe for a larger private equity investor.

PRIVATE COMPANY SaaS: BUYER TYPE

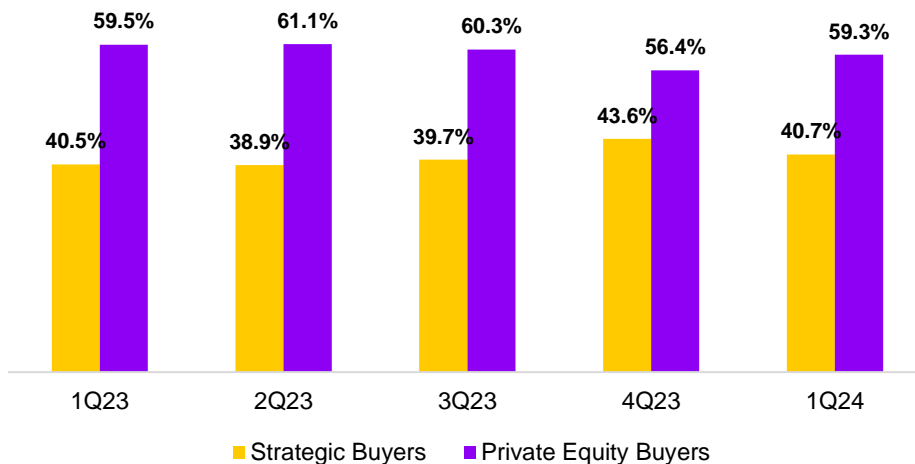
Private Equity continue to dominate but the strategic buyer comes back to the table

1Q24 SaaS M&A Activity by Buyer Type



- Private equity investors continue to drive the majority of SaaS M&A, comprising 59% of deals in 1Q-24. This is broken down further into PE-backed strategics (45%) and platform investments (11%).
- Private equity-backed strategics have continued to leverage the combination of product synergies, capital available for M&A via their financial sponsors, and the lack of short-term valuation pressures faced by their public counterparts to be highly active, comprising nearly half of the transactions.
- Strategic buyers (40.7% of Q1 deals) had their most active two-quarter stretch since 1Q22. While private equity will still be a force in 2024, with public equities rebounding, many expect strategics to continue to be more active in 2024.

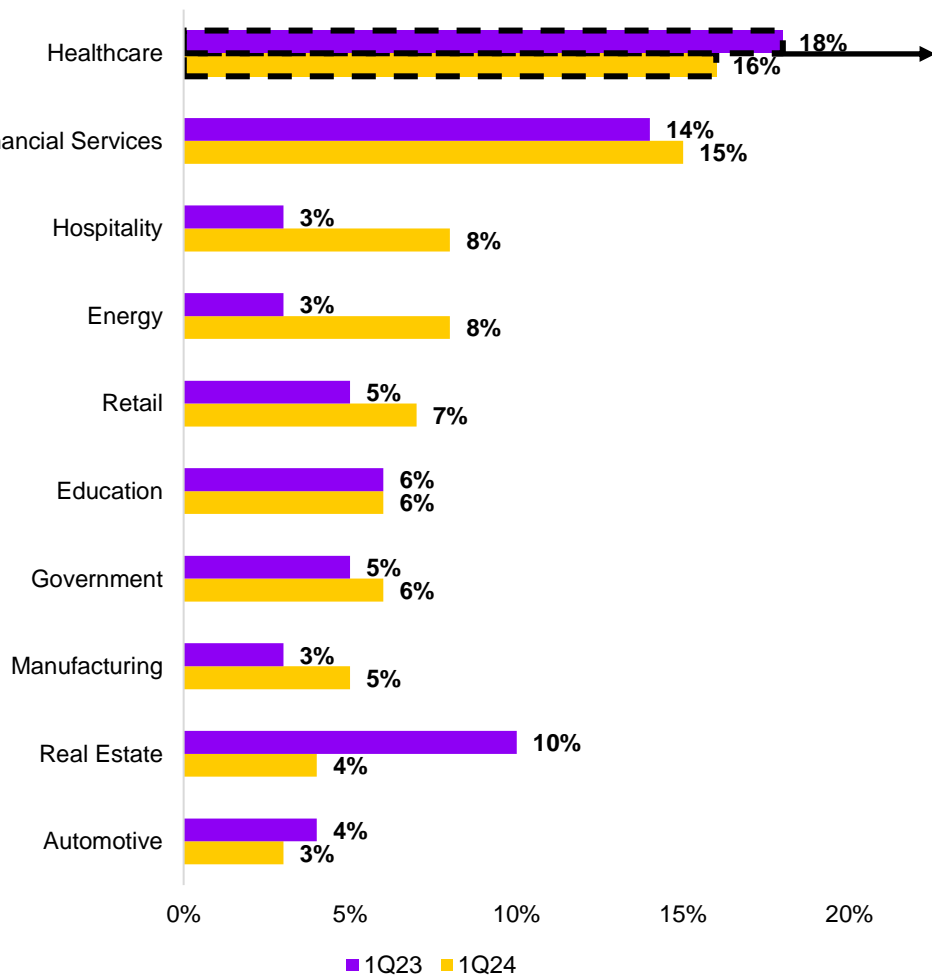
Historical M&A activity by buyer type



TARGET MARKET FOCUS

Healthcare SaaS continues to dominate deal activity with investors spotting

Top 10 SaaS M&A verticals as % of vertical deals



Fundamental attractions of Healthcare SaaS

Recurring revenue with long-term contracts

By their very subscription nature, most SaaS models produce recurring revenue. Healthcare SaaS often has the added advantage of a largely public sector customer base with long-term contracts underpinned by stable financing

Sticky customer base

In slow-to-adopt Healthcare settings, once implemented, it can be challenging to displace software due to implementation costs, switching barriers and associated operational challenges (e.g. staff training & infrastructure)

Barriers to scale

Investment in people, technology and processes can be hard for new entrants to the market to replicate. Scaling quickly requires expertise and often a VC/PE partner with experience growing SaaS businesses at scale

Increasing adoption & demand

Software adoption is growing across the Healthcare spectrum with a range of drivers (e.g. staffing challenges & the need to free up resources, government funding & policy initiatives and software's role in improving quality)

Platform opportunities

Parts of the market remain nascent and fragmented, providing opportunities to plug product gaps and consolidate. This in turn can support cross-sell into customers for other products as ERP SaaS

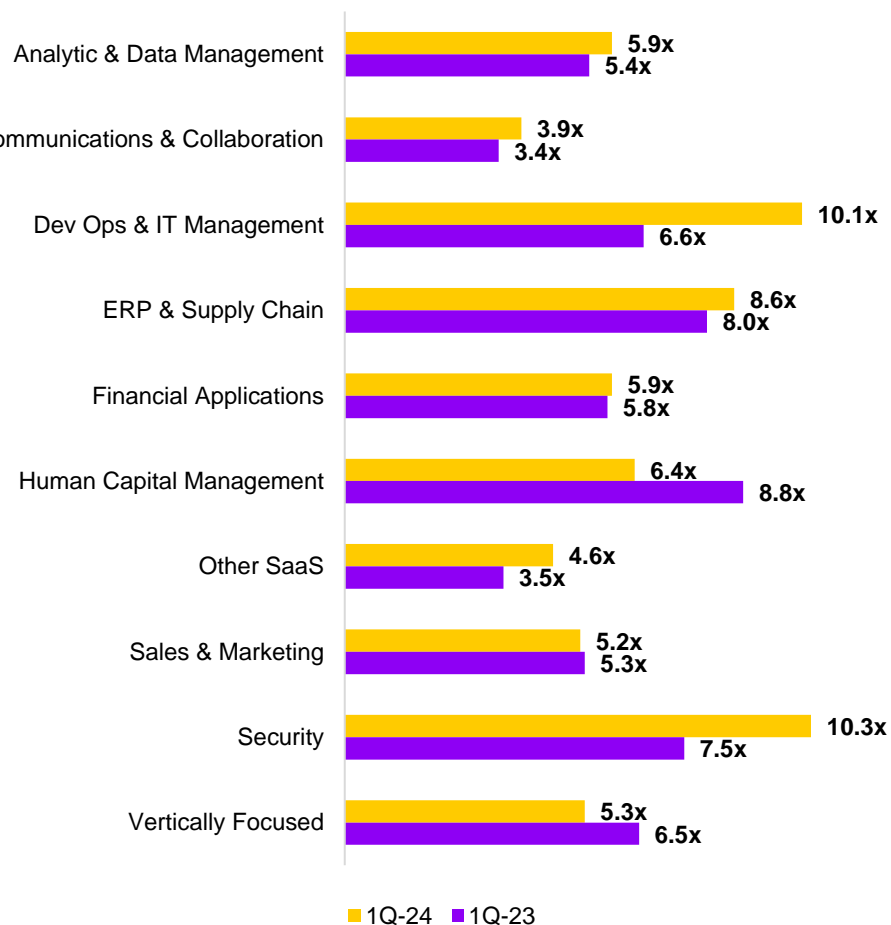
Recession-resilient end market

The Healthcare market is robust and SaaS providers can rely on a stable customer base

LISTED COMPANY SaaS METRICS

Global SaaS index – product category financial performance

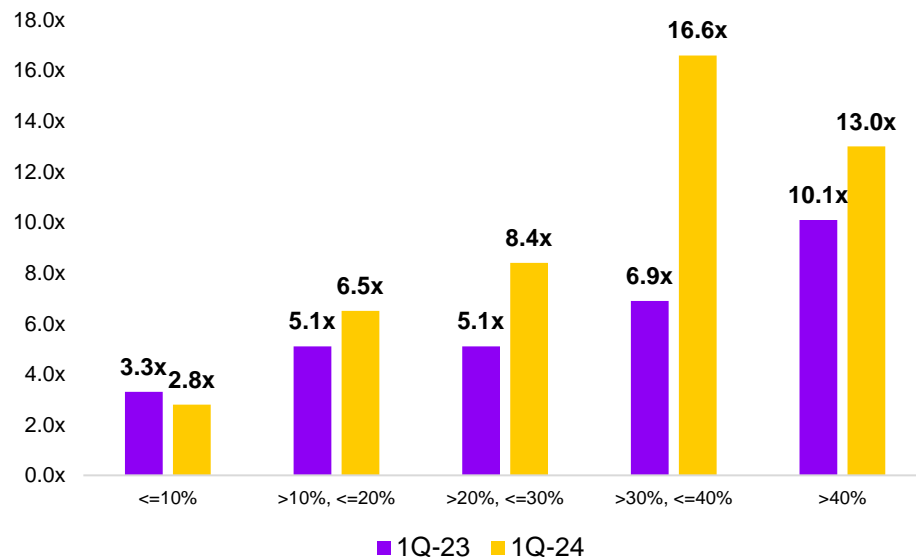
Median EV/TTM Revenue Multiple



- There were increases in QoQ multiples in several of the public SaaS product categories, reflecting the strong year many companies had despite facing a challenging economic backdrop. DevOps & IT Management (10.0x in 1Q24 vs. 6.6x in 1Q23) and Security (10.3x vs. 7.5x) saw the two largest increases in revenue multiple.


























- Growth is always valued at a premium in the public markets, but amidst a pivot towards operational efficiency, the benchmark investors use to determine strong growth has shifted. The cohort of companies growing 30-40% on a TTM basis saw a 16.6x median EV/TTM revenue multiple, up 141% YOY and 28% higher than the >40% cohort. This demonstrates that companies that manage to maintain market-leading growth whilst streamlining operations and optimising cash flow, are highly desirable in the market.

EV/TTM Revenue vs. TTM Revenue growth



ACTIVE INVESTORS IN SaaS – SPOTLIGHT ON THE UK

Active SaaS investors – Strategic & Private Equity

Strategic		Private Equity	
Buyer	Details	Investor	Details
	<p>No. of acquisitions in last 24 months: 7</p> <p>Ownership: PE-backed (TA Associates and Hg Capital)</p> <p>Revenue: £581m</p>		<p>UK software investments in last 24 months: 7</p> <p>No. of add-ons: 3</p> <p>Key SaaS verticals: HR Tech, EdTech, ESG</p>
Recent acquisitions	   	Current investments	  
	<p>No. of acquisitions in last 24 months: 5</p> <p>Ownership: PE-backed (Aquiline Capital Partners)</p> <p>Revenue: £7m</p>		<p>UK software investments in last 24 months: 17</p> <p>No. of add-ons: N/A</p> <p>Key SaaS verticals: GRC, Analytics, HR Tech, Energy</p>
Recent acquisitions	  	Current investments	  
	<p>No. of acquisitions in last 24 months: 3</p> <p>Ownership: PE-backed (BC Partners & Vista Equity)</p> <p>Revenue: £321m</p>		<p>UK software investments in last 24 months: 29</p> <p>No. of add-ons: 24</p> <p>Key SaaS verticals: ERP, HR Tech, Tax & accounting</p>
Recent acquisitions	  	Current investments	  

COOPER PARRY CORPORATE FINANCE

TRUSTED ADVISORS WITH A FOCUS ON M&A ADVISORY SERVICES FOR
TECH-ENABLED SERVICES & B2B SOFTWARE COMPANIES

NIALL CHANTRILL PARTNER

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 Healthcare and Technology sectors.

Notable deals include:

- Sale of leading Healthcare SaaS business Nourish Care Services to Livingbridge
- Sale of Credas Technologies to Canada-based, Dye & Durham
- Sale of Meater to US-based, Traeger Grills



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LOREN DOCKSEY SENIOR ANALYST

Loren joined Cooper Parry Corporate Finance in 2020 as an analyst, reviewing behaviour, trends and analysing M&A activity within our sector specialisms.

Loren is a Trainee Chartered Accountant and holds a first-class honours degree in Economics from the University of Derby.

Notable deals include:

- Acquisition of mobility devices provider Kingswood Corporation by LDC
- Sale of Tri.x to August Equity
- Live sale of a healthcare services business



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OUR RECENT SOFTWARE DEALS



- 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



- Credas is a market-leading provider of KYC/AML software
- Operator of a digital ID verification platform intended to enable clients to perform checks in real time. The company's platform offers facial recognition software, real-time results, a personalized portal, real-time ID checks, and other related services
- Credas was acquired by Dye & Durham, a listed Canadian provider of legal software

£200m+

TOTAL DEAL VALUE
ADVISED ON

£22m

AVERGA DEAL SIZE

75%+

DEALS INVOLVING
PRIVATE EQUITY

2/3

OF DEALS WORKING
SELL-SIDE

COOPER PARRY
DEALS REACH