

SaaS M&A SNAPSHOT: **H1-23 UPDATE**

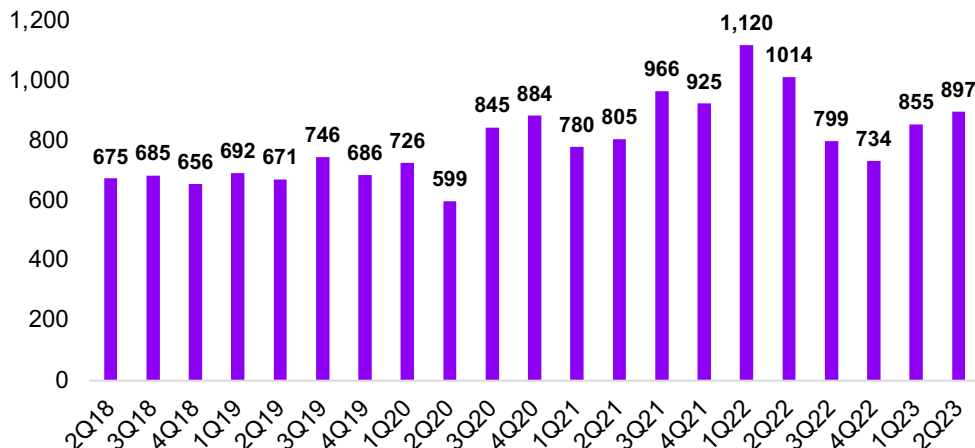
AN IMPROVED MACROECONOMIC OUTLOOK AND OVERALL INVESTOR OPTIMISM FOR GROWTH BUSINESSES HAS CONTRIBUTED TO A SOLID FIRST HALF OF 2023 FOR PUBLICLY TRADED B2B SaaS COMPANIES.

MEANWHILE, CONTINUED STRATEGIC AND PRIVATE EQUITY INTEREST HAS RESULTED IN STRONG M&A OUTCOMES FOR HIGH-QUALITY SaaS BUSINESSES EXHIBITING CAPITAL EFFICIENT GROWTH, STRONG RETENTION AND PRODUCT DIFFERENTIATION.

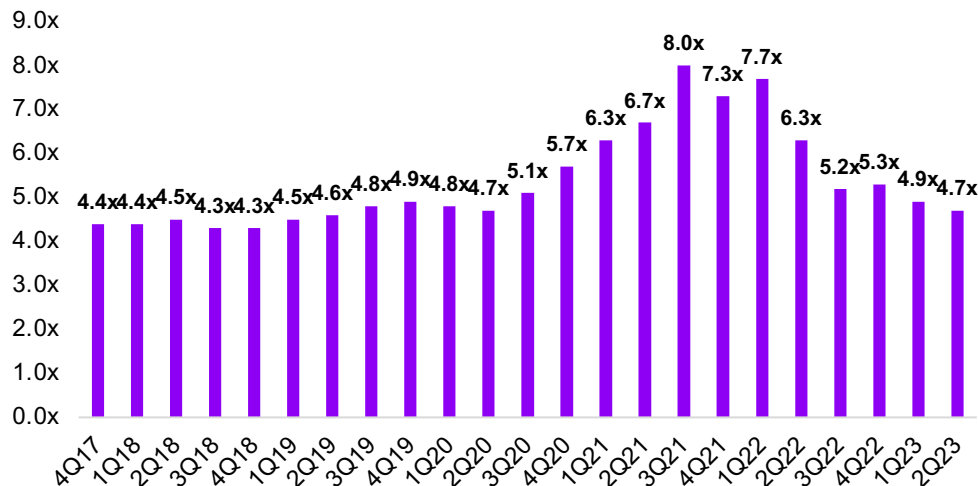
PRIVATE COMPANY SaaS METRICS

SaaS deal volumes show signs of recovery as deal activity goes through a period of normalisation following the peaks of 2022. Private M&A valuations continue to cool since the record highs seen in 2021

M&A Deal Volume - Quarterly

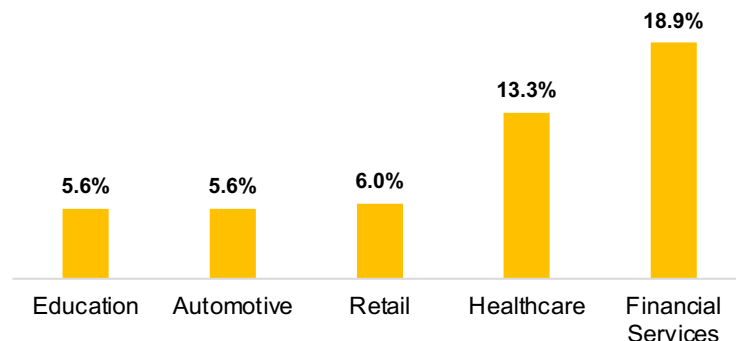


Median EV/TTM Revenue - Quarterly



- Buyer and investor appetite for SaaS businesses remains high, as quarterly deal volume continued to bounce back from 4Q22's recent two-and-a-half-year low, reaching 897 deals in 2Q23.
- B2B SaaS companies continue to be highly sought-after acquisition targets as long-term factors, such as the need for competitive differentiation via M&A and continued adoption of modern technology to optimise business processes, have catalysed deal flow.
- While SaaS deal volume has shown strength through the first half of 2023, the median EV/TTM Revenue multiple for SaaS M&A dropped to 4.7x in 2Q23. The recovery in multiples for publicly traded SaaS businesses suggests this trend may begin to reverse with the private M&A market typically lagging the public markets by a matter of months.
- Despite cooling valuations, high-quality SaaS businesses with top tier KPIs (centred around growth, retention and profitability) are continuing to attract premium valuations.

Top 5 SaaS M&A Verticals ¹

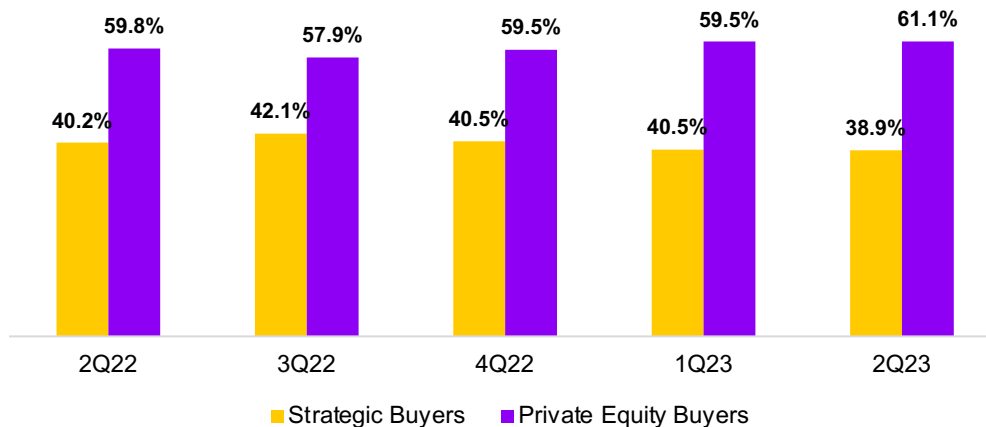


(1) Top vertical deals as a % of all vertical SaaS deals in H123.

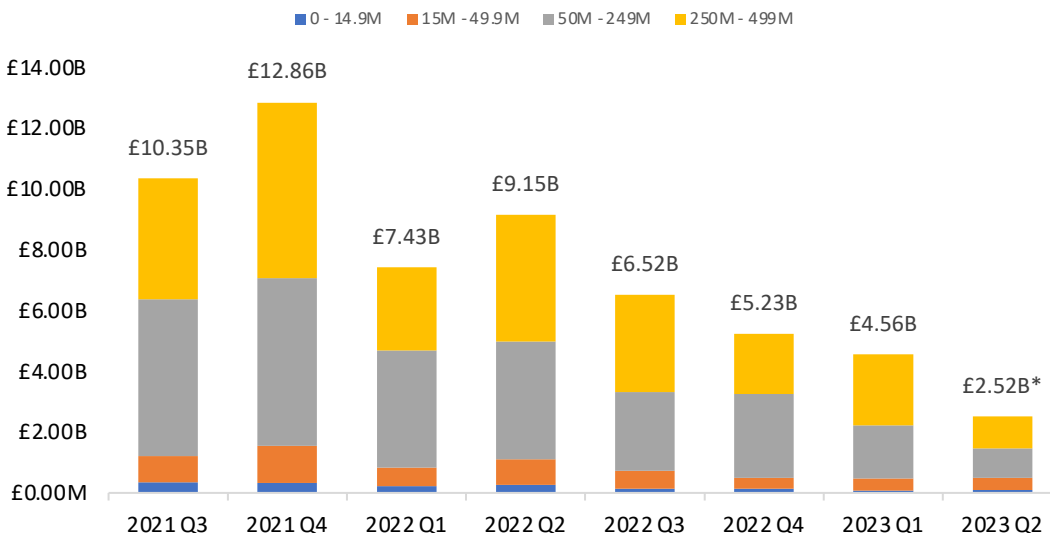
PRIVATE COMPANY SaaS: BUYER TYPE

Private Equity continue to dominate

Historical M&A activity by buyer type



Private equity capital invested in SaaS by deal size



(1) Includes global private equity and M&A transactions up to a maximum EV of £500m, where data is available * - Data may be incomplete due to delay in data publication

- Private equity investors continue to drive the majority of SaaS M&A, comprising 61.1% of deals in 2Q23. This is broken down further into PE-backed strategies (52.4%) and platform investments (8.9%).
- Tightening of debt markets and high interest rates are dampening strategic appetite for M&A with a focus shift to bolstering the balance sheet and driving organic growth.
- SaaS remains highly sought after by PE investors due to the ability to scale revenues in a capital-efficient manner while relying on predictable revenue models. The combination of record amounts of dry powder held by PE firms have further grown their share of the M&A market.
- A lack of mega deals in the lower mid-market YTD has condensed capital investment. The smaller end of the deals market (<£250m) has remained resilient, largely attributable to a dried up later stage VC landscape where valuations have fallen away and investors are taking advantage of the arbitrage.
- Short to medium-term economic headwinds remain which in turn is softening the M&A outlook. VC funding has taken a hit following the collapse of SVB which is creating a tougher environment for cash-strapped SaaS businesses looking to scale quickly.

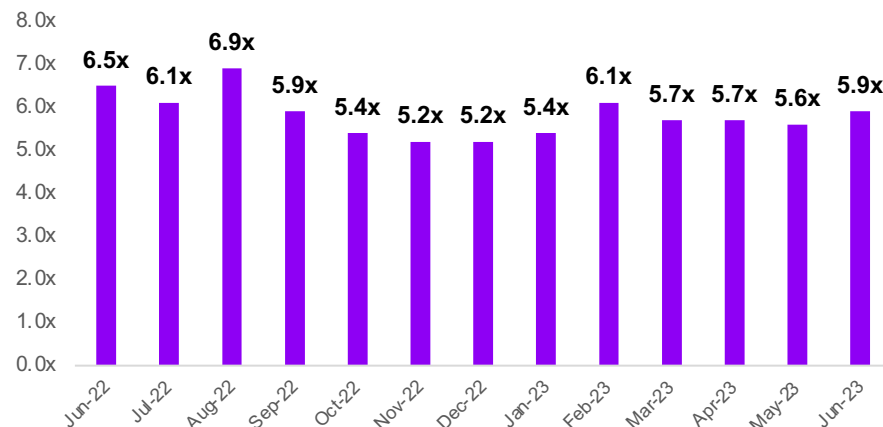
LISTED COMPANY SaaS METRICS

Global SaaS index – product category financial performance

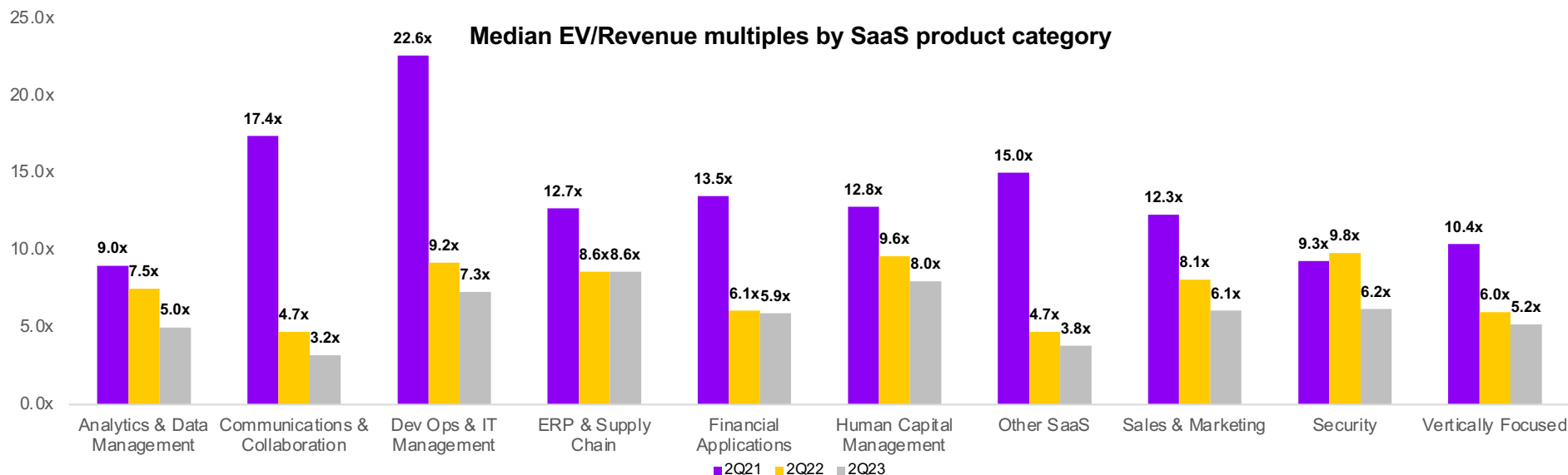
- The technology sector has performed impressively in public markets YTD, primarily driven by AI-driven excitement and general market optimism around cooling inflation and the potential for slowing interest rate hikes.
- The median EV/TTM Revenue multiple jumped 3% from 5.8x in 1Q23 to 6.0x in 2Q23. Despite the 17% decrease since 2Q22, the multiple has trended up since bottoming out in 4Q22. The continue rebound is a promising indicator of the durability of SaaS businesses in the current market following the post-pandemic cooldown.

All product categories	2Q22	3Q22	4Q22	1Q23	2Q23
EV/TTM Revenue	7.2x	6.5x	5.4x	5.8x	6.0x
EV/NTM Revenue	6.1x	5.8x	5.1x	5.1x	5.4x
EV/TTM Cash EBITDA	41.4x	41.8x	42.6x	41.7x	46.9x
TTM Revenue Growth (YoY)	28.5%	27.4%	25.6%	22.9%	20.3%

Public market SaaS multiples – Monthly TTM



Median EV/Revenue multiples by SaaS product category



Source: – Software Equity Group, Pitchbook, Cooper Parry analysis

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PRIVATE MARKET SaaS M&A – SPOTLIGHT ON THE UK

Active SaaS investors - strategies



Company overview

Location: UK

Ownership: PE-backed (Horizon Capital, TA Associates and Hg Capital)

Revenue: £434m

Description

Provider of enterprise software intended to provide a single, unified platform that connects suites of industry-specific software products with financial and human resource systems, enabling efficient enterprise resource planning and customer relationship management.

Recent UK Acquisitions



Company overview

Location: UK

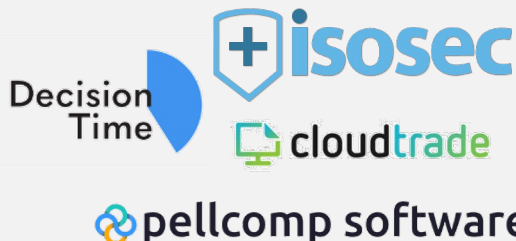
Ownership: PE-backed (Vista Equity & BC Partners)

Revenue: £317m

Description

UK-based enterprise Resource Planning (ERP), People Management and vertical market software solutions provider. With over 22,000+ global customers and 2,700 employees, Advanced business software helps organisations to evolve with the changing needs of their business and the markets.

Recent UK Acquisitions



Company overview

Location: UK

Ownership: PE-backed (Hg Capital)

Revenue: £92m

Description

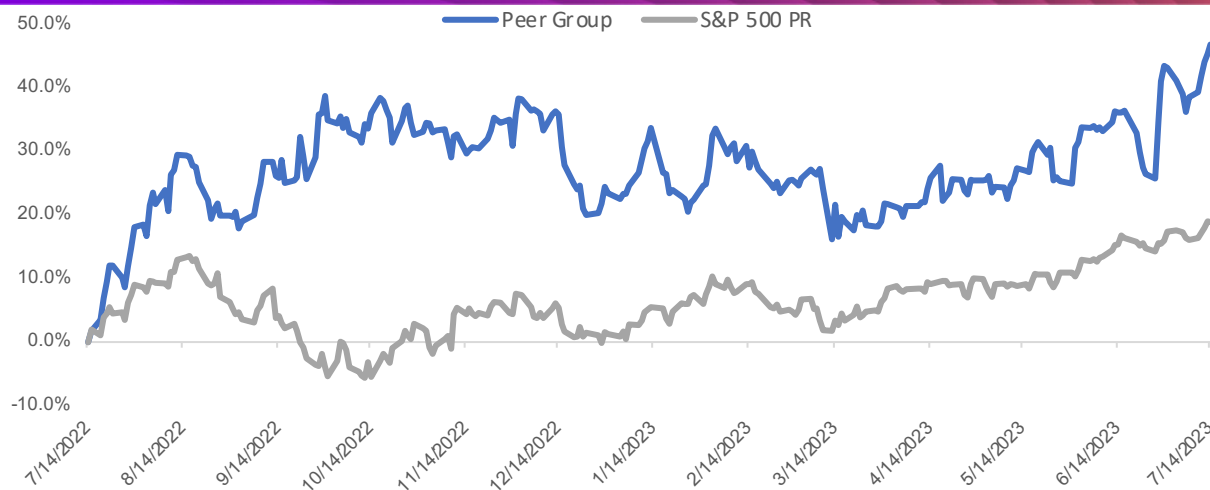
Ideagen provides a suite of software solutions designed for high-compliance industries, to improve governance, risk and compliance management. The company serves clients in various industries including healthcare, transport, aerospace and defence, manufacturing and finance.

Recent UK Acquisitions



PUBLIC COMPARABLES – UK SaaS INDEX

SaaS index – Top 15 UK SaaS stocks by total revenue



Listed peer group – stock price changes

- Stock performance relating to a curated UK SaaS index, comprising the top 15 listed companies by total revenue, is up over 40% in the last 12 months, comparing to a c.20% gain for the rest of the market. This signals investor confidence in UK SaaS stocks despite trading multiples softening
- The outlook remains one of caution in the public markets with market volatility impacting valuations despite positive trading momentum
- The UK peer group of SaaS companies is currently trading at a median TTM EV/Revenue of c.4x which is below global comparables
- UK and European software assets continue to trade at a discount to US peers, representing an opportunity for US buyers to exact their purchasing power with a strong dollar and valuation arbitrage

Selected peer group	Financials – local currency (m)				TTM	
	Market Cap	Enterprise Value	Total Revenue	EBITDA	EV / Revenue	EV / EBITDA
The Hut Group	1,269.48	1,809.26	2,239.23	-291.80	0.8x	n/d
The Sage Group	9,420.36	10,111.36	2,100.00	417.00	4.8x	27.4x
Wise (Financial Software)	6,851.66	4,367.84	986.30	176.90	4.4x	n/d
Endava	2,449.89	2,314.61	785.35	156.78	2.9x	14.8x
Kainos Group	1,621.70	1,514.77	340.15	55.16	4.0x	25.7x
GB Group	614.62	721.24	278.81	-66.67	2.6x	n/d
VTEX	725.42	543.91	137.24	-38.31	4.0x	n/d
LumiraDx	104.95	372.88	124.78	-326.81	3.0x	n/d
DotDigital Group	236.68	189.36	65.74	19.64	2.9x	9.6x
Access Intelligence	88.75	89.02	64.26	-1.00	1.4x	n/d
IQGeo	181.58	175.42	26.59	1.16	6.6x	151.0x
Netcall	163.49	143.51	33.30	6.02	4.3x	23.8x
Eagle Eye Solutions Group	165.30	152.90	36.57	4.81	4.2x	31.8x
Essensys	23.27	13.11	25.28	-10.19	0.5x	n/d
LoopUp	4.07	11.58	16.48	-16.25	n/d	n/d
Median					4.1x	29.6x

Source: – Software Equity Group, Cooper Parry analysis

COOPER PARRY CORPORATE FINANCE

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

MARK BROCKWAY PARTNER

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



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NIALL CHANTRILL ASSOCIATE 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 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



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OUR SaaS CREDENTIALS



LIVINGBRIDGE

- 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

**9 DEALS
COMPLETED**

**IN THE LAST 18
MONTHS**

£300m+

**TOTAL DEAL VALUE
ADVISED ON**

£35m

**AVERAGE DEAL
SIZE**

75%+

**DEALS INVOLVING
PRIVATE EQUITY**

1/3

**INVOLVED AN
INTERNATIONAL
BUYER**

**COOPER PARRY
CORPORATE FINANCE**

**GLOBAL
M&A
PARTNERS**