

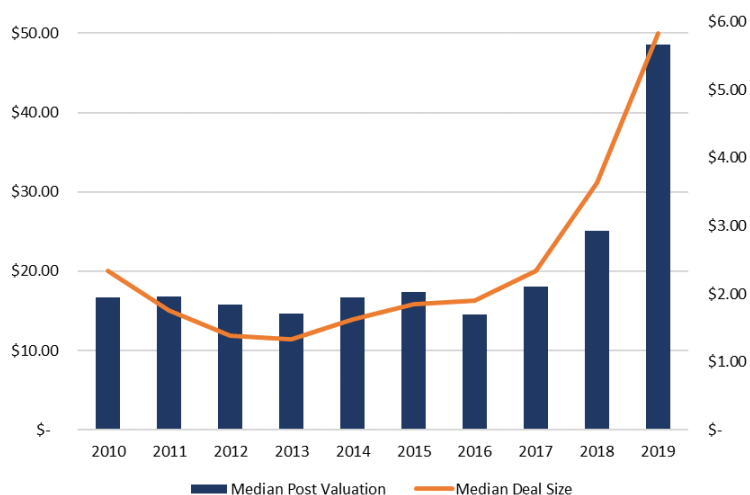
# SAAS M&A OVERVIEW

## SUMMER 2019

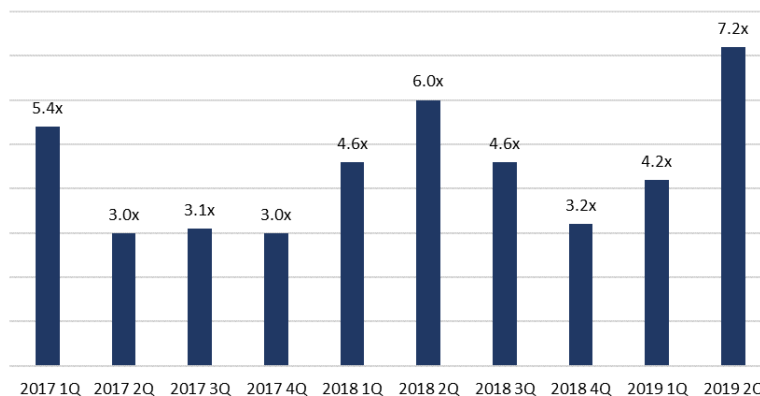
Software as a Service (“SaaS”) continues to grow at a rapid rate, with M&A activity picking up speed through the first half of 2019. Capital raised reached an all time high in 2018 and 2019 is already on track to exceed previous years, in part fueled by increases in median valuations and deal sizes. Median deal size for the year so far has increased 60% from the 2018 median, increasing from \$3.6 million to \$5.8 million. Median post valuation figures have followed suit, increasing 94% from \$25 million to \$49 million.

Revenue multiples had continued growth as well, with the median EV/Revenue multiple rising to 7.2x from 4.2x in the first quarter, and well above the 12-month average of 4.8x.

### SAAS M&A ACTIVITY



### SAAS EV/REVENUE MULTIPLES



Source: Pitchbook, 451 M&A Knowledgebase

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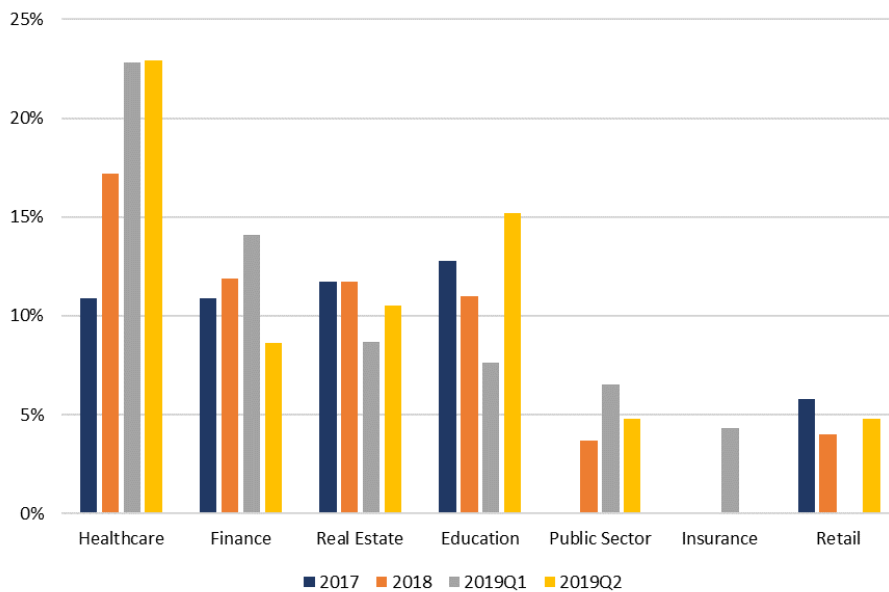
Carleton McKenna & Co. is a boutique, independent investment banking firm providing M&A Advisory, Capital Raise Advisory, and Pre-Transition Planning services. Our experienced professionals maintain a client-focused and entrepreneurial approach which enables us to maximize outcomes by being creative for our clients. Our professionals have over three decades of experience partnering with public and private companies led by strong, entrepreneurial management teams.

Using this expertise, Carleton McKenna & Co. specializes in providing sell-side and buy-side M&A Advisory services to small- to mid-cap closely-held businesses, portfolio companies of financial sponsor firms, and divisions or subsidiaries of public companies. Carleton McKenna & Co. has deep experience in the software and technology, niche manufacturing, specialty chemicals and materials, business services, consumer products and healthcare markets.

## SAAS M&A REVIEW—SUMMER 2019

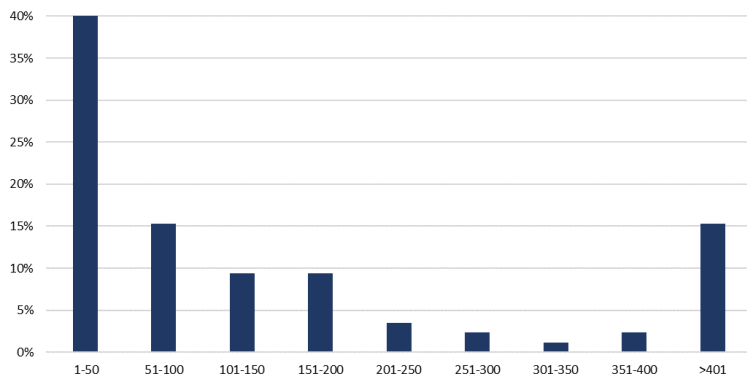
Leading sectors continue to be Customer Relationship Management, HR and talent management (influenced by low unemployment), content and document management, analytics, and security. The number of CRM related companies in transactions increased 27% in 2019 Q2 from 37 to 47 deals. Horizontal targets remained the primary focus of acquirers, with 62% of deals being horizontally motivated. The number of vertical acquisitions remained consistent, with healthcare making up 22.8% of vertical deals, followed by Finance and Real Estate. Education, which ranks third in deal count over the past 3 years at 119 deals, made up only 7.6% of deals in the second quarter of 2019.

### DEAL VOLUME BY VERTICAL

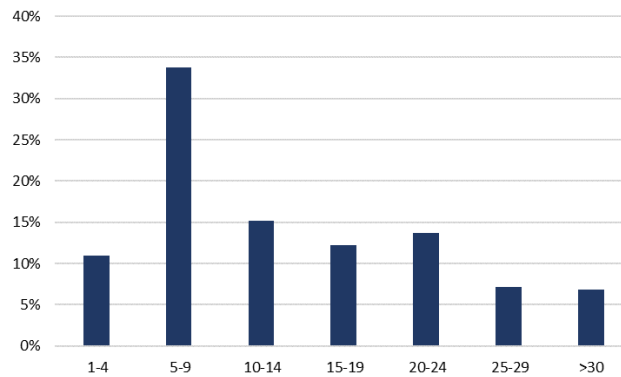


Larger companies typically saw higher revenue multiples, with companies in the \$50 to \$100 million range earning the highest multiples of 5.3x in the second quarter. Companies in Ecommerce, storage and systems management, engineering, analytics and business intelligence and data management make up the industries with the highest median EV to revenue. Over 40% of target companies have less than 50 employees, and nearly 35% are 5 to 9 years old.

### # OF EMPLOYEES AT TARGET COMPANIES



### AGE OF TARGET COMPANIES



Source: Pitchbook, 451 M&A Knowledgebase

KEY VALUATION DRIVING FACTORS

I. Year-over year (YoY) growth of revenues

- < 10% to 15% annual growth: low
- 15% to 25% annual growth: moderate
- >25% to 35% annual growth: very good
- >100% YoY growth: home run

II. % Recurring Revenues

- < 65%: not considered a true recurring revenue company
- 65% to 85%: low
- 85% to 95%: very good
- >95%: home run

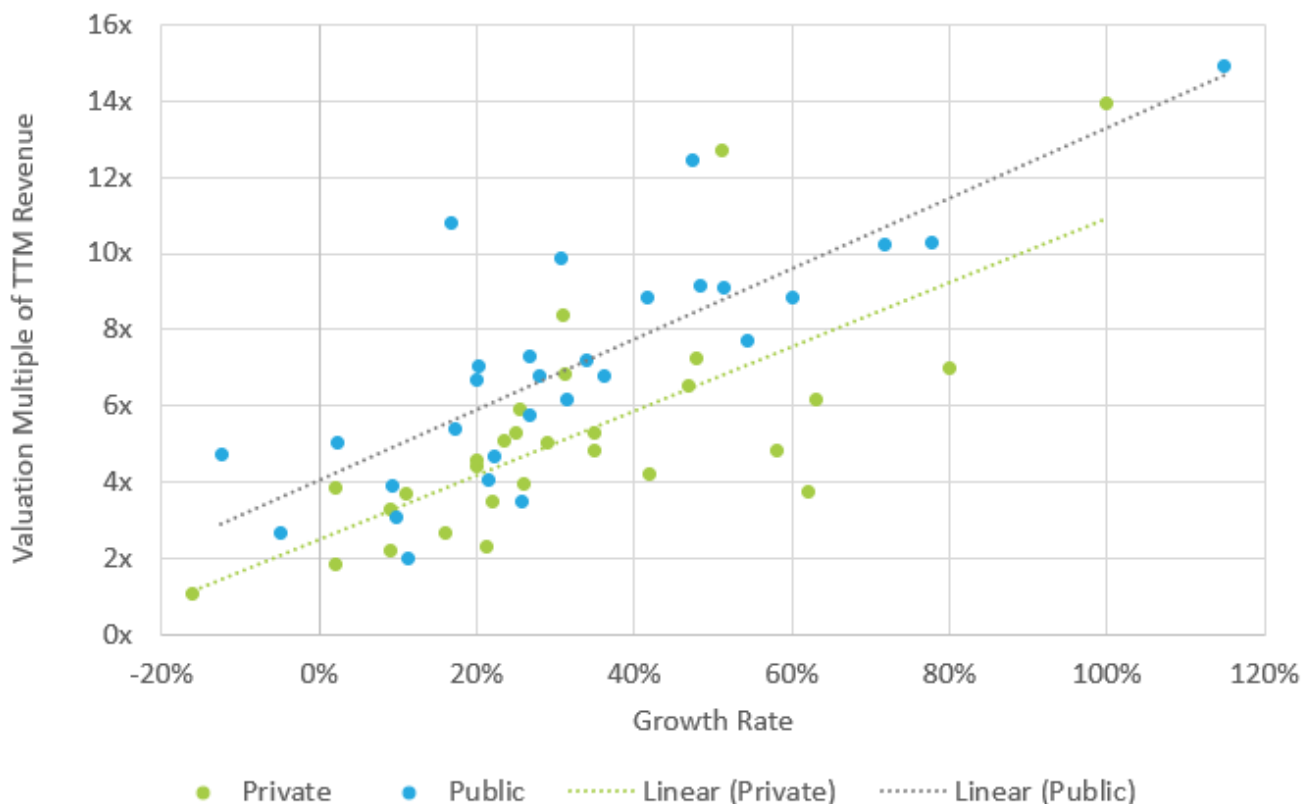
III. CHURN (Annual)

- >50%: very high
- 25% to 50%: still high
- 10% to 25%: moderate
- 5% to 10%: good
- <5%: excellent

IV. Profitability/Cash Flow (EBITDA)

- >30% is excellent (the Rule of 40—growth rate + profit should be > or = 40%)
- For small-cap companies under \$10M in revenues and growing, break even or slightly profitable is ok (need to grow 40% annually)
- Need to show growth on a normalized basis (ratchet back investment in growth)

PRIVATE VS. PUBLIC VALUATION MULTIPLES



Source: Pitchbook, 451 M&A Knowledgebase, SaaS Capital

# SAAS M&A REVIEW—SUMMER 2019

## TOP 50 DEALS OF 2019

Date	Target	Buyer	Transaction Size \$M	Valuation/Rev
7-2019	Red Hat (NYS: RHT)	IBM	\$34,000	9.8x
6-2019	Equian	UnitedHealth Group (NYS: UNH)	\$3,200	NA
6-2019	Medidata Solutions (NAS: MDSO)	Dassault Systemes (PAR: DSY)	\$5,800	8.8x
6-2019	Looker	Alphabet (NAS: GOOGL)	\$2,600	26.0x
5-2019	Acuris	ION Group, The Carlyle Group (NAS: CG)	\$1,760	
5-2019	MYOB Technology	Kohlberg Kravis Roberts (NYS: KKR)	\$1,151	4.4x
5-2019	Ultimate Software Group	Canada Pension Plan, Government of Singapore Investment Corp, Hellman & Friedman, JMI Equity, Blackstone Group	\$11,000	9.2x
4-2019	TomTom Telematics	Bridgestone Europe	\$1,060	
3-2019	Turnitin	Advance Publications	\$1,700	11.3x
2-2019	ConnectWise	Thoma Bravo	\$1,500	
2-2019	Aptean	TA Associatesw Management, Vista Equity Partners	\$1,000	
2-2019	NxStage Medical	Fresenius Medical Care (ETR: FME)	\$2,000	4.7x
2-2019	Cylance	Blackberry (TSE: BB)	\$1,500	
2-2019	Mindbody	Vista Equity Partners	\$1,900	8.3x
2-2019	Dun & Bradstreet	Bilcar LLC, Black Knight, Cannae Holdings, CC Capital, Cohesive Capital Partners, Thomas H Lee Partners	\$6,900	4.1x
2-2019	Athenahealth	Ares Capital (NAS: ARCC), Evergeen Coast Capital, Vertias Capital	\$5,700	4.4x
2-2019	SendGrid	Twilio (NYS: TWLO)	\$3,000	21.9x
1-2019	Avito	Naspers (JSE: NPN)	\$1,160	
1-2019	Qualtrics	SAP	\$8,000	20.0x
1-2019	Infor Global Solutions	Golden Gate Capital, Koch Equity Development	\$1,500	
1-2019	VMware (NYS: VMW)	Dell EMC	\$21,700	NA
1-2019	Engility	Science Applications International (NYS: SAIC)	\$1,600	0.8x
1-2019	Apptio	Vista Equity Partners	\$1,940	8.6x
3-2019	Chrome River	Certify, K1 Investment Management	\$1,000	
2-2019	M*Modal	3M	\$1,000	
1-2019	Quickbase	Vista Equity Partners	\$1,000	
1-2019	Veracode	Thoma Bravo	\$950	
4-2019	Axioma	Deutsche Borse Group, General Atlantic	\$850	8.8x
5-2019	Shareworks by Morgan Stanley	Morgan Stanley	\$843	7.8x
6-2019	ArisGlobal	Nordic Capital	\$700	7.0x
5-2019	Nginx	F5 Networks	\$700	
3-2019	Webroot	Carbonite	\$618	2.9x
7-2019	Instamed	JP Morgan Chase	\$600	
4-2019	EG Software	Francisco Partners	\$578	
6-2019	InteleX Technologies	Industrial Scientific	\$570	
6-2019	Attunity	Canada Pension Plan Investment Board, Qlik Technologies, Thoma Bravo	\$560	6.5x
7-2019	AltaReturn	Vista Equity Partners	\$500	
1-2019	BOARD International	Nordic Capital	\$500	8.5x
6-2019	Dude Solutions	Clearlake Capital Group	\$500	5.0x
7-2019	Amber Road	E2open	\$425	6.3x
7-2019	Qualitest	Bridgepoint Advisors	\$420	
7-2019	Twistlock	Palo Alto Networks	\$410	
4-2019	Mist Systems	Juniper Networks	\$405	
6-2019	Wave Financial	H&R Block	\$405	
4-2019	Samanage	SolarWinds	\$350	
4-2019	Xevo	Lear	\$320	
4-2019	Drivy	Getaround	\$300	
4-2019	Dynamic Yield	McDonald's	\$300	
		<b>Average</b>	<b>\$2,843</b>	<b>8.9x</b>

Source: Pitchbook, 451 M&A Knowledgebase