

SOFTWARE INDUSTRY

1ST HALF 2020 :: Mergers and Acquisitions Trend Report

1ST HALF 2020 KEY HIGHLIGHTS

- Three of the industry's top five largest deals year-to-date occurred in the Infrastructure segment: Insight Venture Partners' acquisition of Veeam Software, a cloud-focused backup and disaster recovery services provider, for \$5 billion; a Symphony Technology Group led consortium's announced acquisition of Dell Technologies' RSA Security business for \$2.08 billion; and Advent International and Crosspoint Capital Partners' announced acquisition of ForeScout Technologies, which develops device visibility, control, and cybersecurity solutions, for \$1.72 billion.
- There were 252 financially sponsored transactions with an aggregate value of \$22.08 billion, representing 24 percent of the total volume and 44 percent of the total value, respectively.

1ST HALF 2020 KEY TRENDS

- Total transaction volume in 1st Half 2020 decreased by ten percent over 2nd Half 2019, from 1,162 to 1,051.
- Total transaction value in 1st Half 2020 fell by 38 percent over 2nd Half 2019, from \$80.33 billion to \$50.19 billion.
- The median revenue multiple declined from 3.7x in 2nd Half 2019 to 3.0x in 1st Half 2020. The median EBITDA multiple moved downward from 15.3x to 11.2x.
- The segment with the largest rise in volume in 1st Half 2020 over 2nd Half 2019 was Consumer Software with a nine percent gain, from 109 to 119 transactions.

M&A MARKET OVERVIEW

Berkery Noyes tracked 5,697 Software transactions between 2018 and 1st Half 2020, of which 1,029 disclosed financial terms, and calculated the aggregate transaction value to be \$338.56 billion. Based on known transaction values, we project values of 4,668 undisclosed transactions to be \$117.28 billion, totaling \$455.84 billion worth of transactions tracked over the past two and a half years.

Transactions from 1st Half 2018 to 1st Half 2020 with enterprise values above \$160 million received a median revenue multiple of 5.3x, whereas those in the \$10-160 million range garnered a median revenue multiple of 3.2x.

Disclosed median enterprise value multiples for all segments combined in this report during the last 30 months were 3.2x revenue and 13.8x EBITDA.

M&A Market Dynamics By Half Year

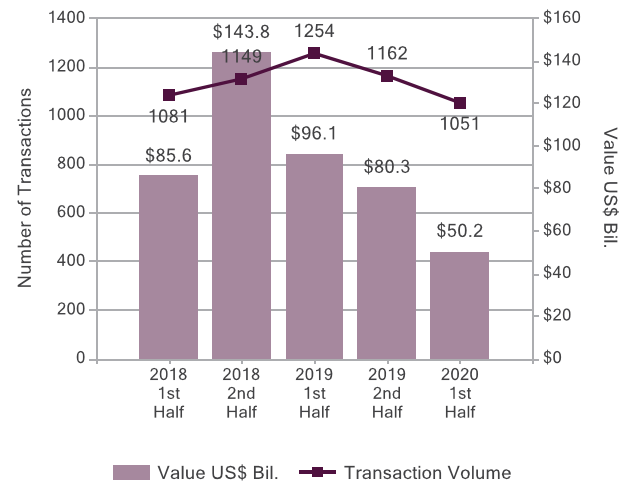


Figure 1. 2018-2020 value and volume comparison.

Median Enterprise Value Multiples By Half Year

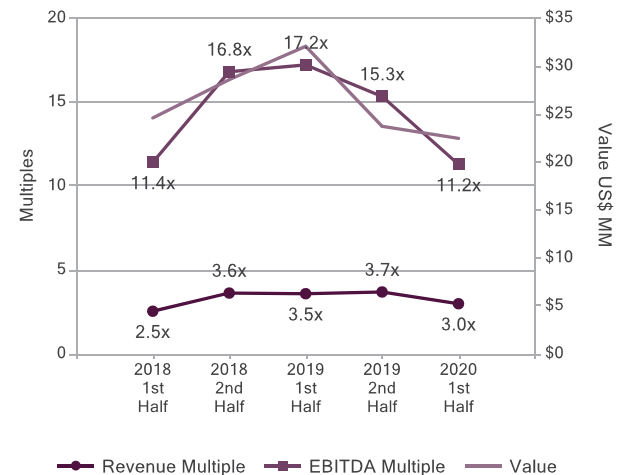


Figure 2. 2018-2020 median: value, revenue, EBITDA comparison.

Transaction Analysis :: January 1, 2020 – June 30, 2020

Bell Curve - Histogram - 1st Half

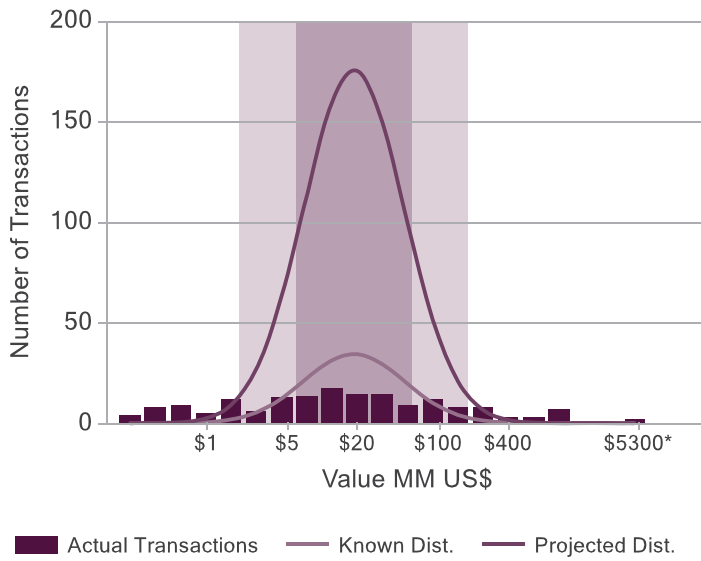


Figure 3. Shows the distribution of Software transactions based on publicly available information and Berkery Noyes estimates. Using a logarithmic scale, we determined that nearly two-thirds of companies purchased had transaction values of \$1.0 million to \$244.7 million. Based on this data, we estimate the total transaction value of deals done in 1st Half 2020 at \$50.2 billion.

* Indicates largest industry transaction from Jan. 1, 2020 to June 30, 2020.

Distribution Table

Value in MM US\$	Known Number	Projected Number	Total Number	%	Cumulative %
\$0.2	4	0	4	2 %	2 %
\$0.4	8	0	8	5 %	7 %
\$0.6	9	0	9	5 %	12 %
\$1.0	5	2	7	3 %	15 %
\$1.6	12	9	21	7 %	22 %
\$2.7	6	27	32	3 %	26 %
\$4.5	13	63	75	8 %	33 %
\$7.4	14	113	127	8 %	41 %
\$12.2	17	160	176	10 %	51 %
\$20.1	15	175	189	9 %	60 %
\$33.1	15	149	164	9 %	69 %
\$54.6	9	99	108	5 %	74 %
\$90.0	12	52	63	7 %	81 %
\$148.4	8	21	28	5 %	85 %
\$244.7	8	7	14	5 %	90 %
\$403.4	3	2	4	2 %	92 %
\$665.1	3	0	3	2 %	94 %
\$1,096.6	7	0	7	4 %	98 %
\$1,808.0	1	0	1	1 %	98 %
\$2,981.0	0	0	0	0 %	98 %
\$4,914.8	2	0	2	1 %	99 %
Total #	172	879	1051		
Total \$ Value	\$33,652	\$16,542	\$50,194		
Middle 3rd of Industry		Middle 2/3rds of Industry			

Figure 4. Presents the data depicted in the bell curve histogram.

Strategic vs. Financial Comparison

M&A Dynamics By Transaction Type - 1st Half

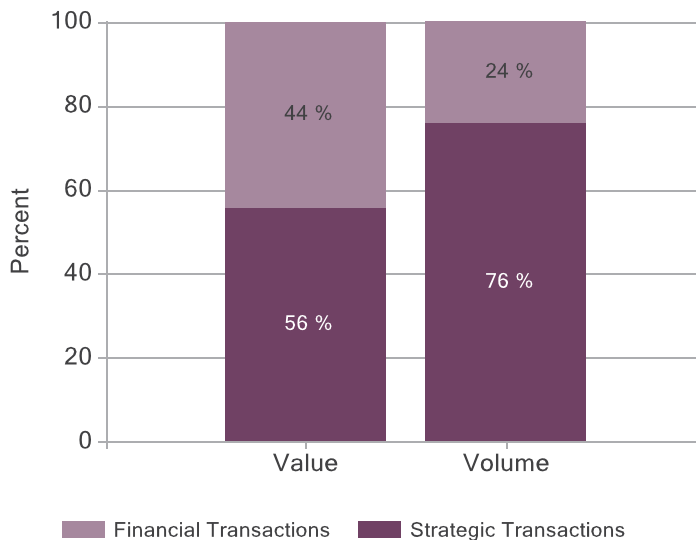


Figure 5. 1st Half 2020 value and volume comparison by transaction type.

Note: Financial transactions are those financed by private equity, venture capital, and other investment firms. This includes acquisitions by portfolio companies of the investment firms.

Transaction Type By Half Year

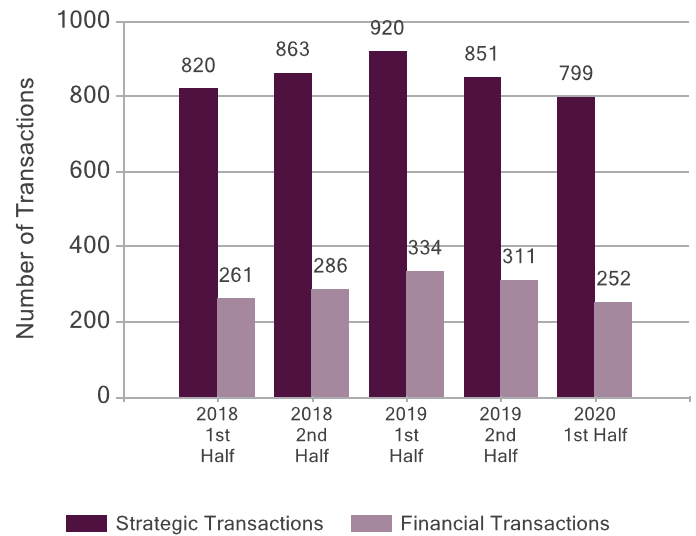


Figure 6. 2018-2020 acquirer type comparison by half year.

Purchaser Analysis

Top Ten Notable Transactions - 1st Half 2020

Deal Date	Target Name	Buyer	Value MM US\$
01/13/20	Plaid Technologies, Inc.	Visa, Inc.	\$5,300
01/10/20	Veeam Software	Insight Venture Partners	\$5,000
02/18/20	RSA Security	Symphony Technology Group, AlInvest Partners N.V., Ontario Teachers' Pension Plan	\$2,075
06/01/20	Peak Games	Zynga, Inc.	\$1,800
02/06/20	ForeScout Technologies	Advent International, Crosspoint Capital Partners	\$1,717
02/26/20	Vlocity	Salesforce.com, Inc.	\$1,330
01/08/20	Open Lending, Inc.	True Wind Capital	\$1,300
02/25/20	Saba Software, Inc.	Cornerstone OnDemand, Inc.	\$1,295
04/08/20	Galileo Financial Technologies	SoFi	\$1,200
01/08/20	Armis, Inc.	Insight Venture Partners	\$1,100
2020 Aggregate Transaction Value			\$50,194
Top 10 Aggregate Transaction Value			\$22,117
Top 10 Aggregate Value as a Percentage of All Transactions			44 %

Figure 7. Lists the top ten transactions for 1st Half 2020 and calculates their aggregate transaction value as a percentage of the total aggregate transaction value as shown in Figure 1 & 4.

Note: Transaction data based on **announced date**.

Median EV/Revenue Multiples By Size

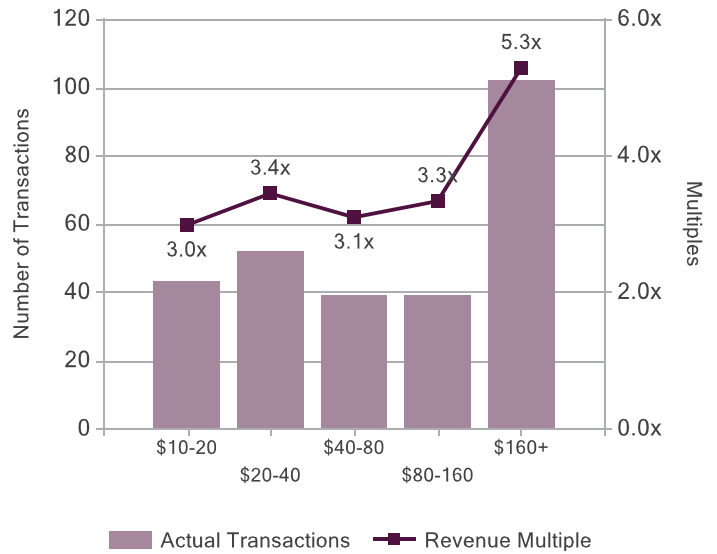


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Software Industry from January 1, 2018 to June 30, 2020 based on publicly available data.

Transaction Volume by Segment :: January 1, 2018 – June 30, 2020

Transactions By Market Segment By Half Year

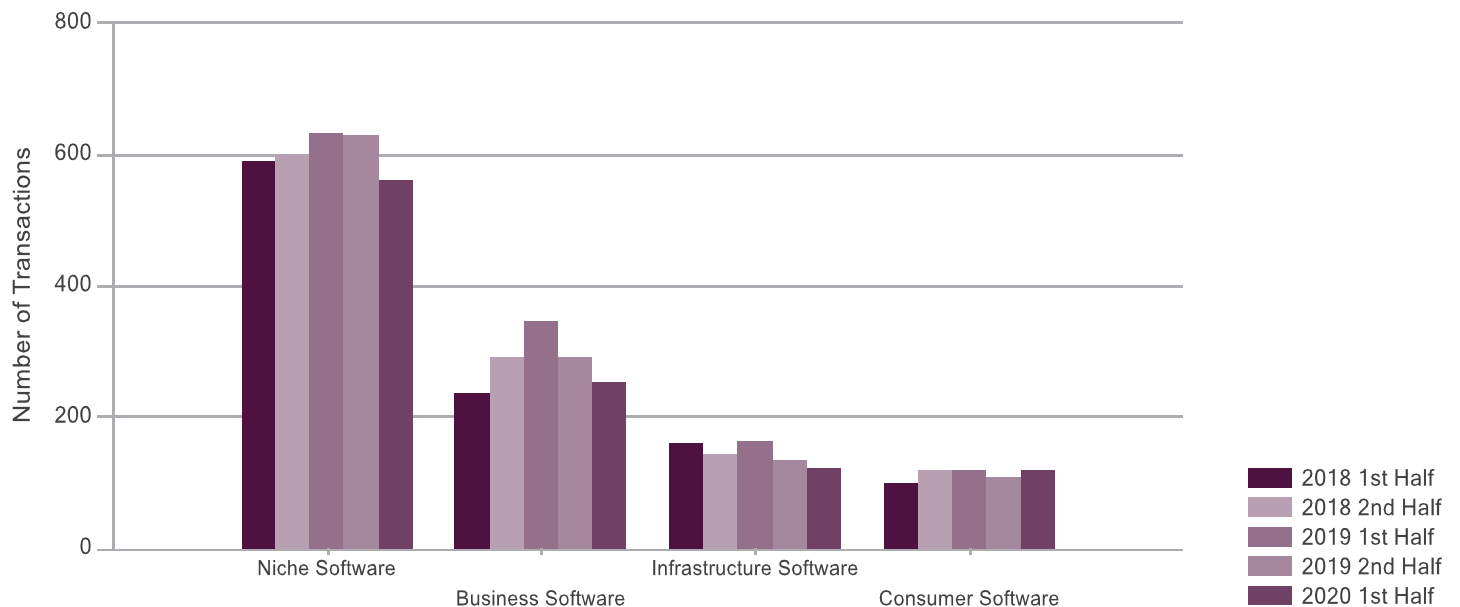


Figure 9. Presents transaction volume by target segment within the Software Industry from January 1, 2018 through June 30, 2020.

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All charts in this report are based on data gathered by Berkery Noyes' research department. All time period statistics are based on the transaction announcement date. The information contained herein is of a general nature and is not intended to address the circumstances of any particular company, individual, or entity. There can be no guarantee that such information is accurate.

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