

Forbes M+A SaaS Quarterly Sector Update. The goal for this newsletter is to include more insight than just historical transaction related information. That’s why we also include an interview with industry experts to discuss noticeable industry trends, qualitative insights and what to expect in the short term.

This quarter I had the privilege to speak with Greg Colella the Chief Corporate Development & Strategy Officer at Fullsteam.

Please feel free to reach out with any feedback or specific questions to add to next quarter’s industry update. Thanks and enjoy!



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SaaS Interview

Greg Colella (Fullsteam) Interview

Dan: Hi Greg, thank you for taking the time to speak with me today.

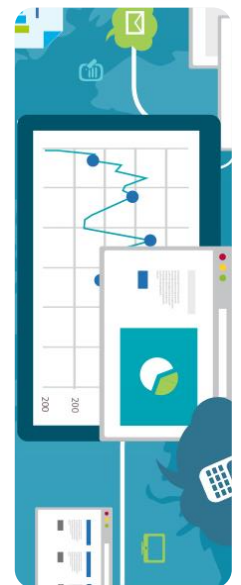
Greg: Thank you for having me.

Dan: Let’s jump right in. What was your outlook for 2021 at the beginning of the year and how did that change as you wrapped up the year?

Greg: It’s hard to talk about 2021 without talking about 2020. In 2020 when the pandemic hit, we pushed the pause button to see what would happen. During that time, we developed a conviction for the end date of the pandemic, in other words, when would the dust settle so we could have better clarity on the new normal. We spent 2020 looking only at the best deals because of uncertainty of the markets. So, to answer your question, because of 2020, 2021 started slow because we did not spend a lot of time looking at deals, but we ended up finishing with a total of 14 closed deals by the end of the year (we typically average around 15 per year to put in perspective). So, the second half of the 2021 was extremely busy to say the least.

Dan: Why do you think the second half of 2021 was so crazy? We saw the same thing and it seemed to be related to the Biden tax increase.

Greg: Yeah, the proposed tax increase did have some effect. The other reason, in my opinion is that many business owners were just tired after surviving the pandemic and ready to de-risk. This is reminiscent of what happened after the 2008 financial markets collapse.



Dan: How do you think 2022 will shape up?

Greg: We have already closed 9 deals in in the first quarter of 2022.

Dan: That's a much faster pace than your typical year, what's going on?

Greg: It's spillover from the end of 2021, not all deals could get finalized before year end last year because we were all capacity constrained. Fullsteam will most likely close around 20 deals in 2020.

Dan: The big news right now is inflation; what are your thoughts on how this might impact the software industry?

Greg: Fullsteam is focused on markets that we believe are recession resistant, non-cyclical or counter cyclical to the economic cycles. We also believe that payments and digital marketing can see a positive impact even during recession. We are interested in looking at stable core software opportunities regardless of the economy. A recession will not hold us off because we are focused on long term investing. We also make an effort to invest in core business management software products, which are the last expense that a business would abandon in a downturn, mission critical to business operations.

Dan: What interesting trends do you see in the software space moving forward into 2022/23?

Greg: We are finding that sole or individual SaaS business owners are more and more willing to invest back into their businesses as opposed to just running it as a lifestyle. Owners are becoming more educated on what creates value in the SaaS industry.

Dan: How do you evaluate SaaS businesses? What do you see as the biggest drivers of value?

Greg: If its not growing, not profitable it's not attractive. We don't utilize the rule of 40 as much as you'd think; smaller businesses need to actually be much higher to be great. For us, it really comes down to customer retention, we don't want to fill the bucket every year so we can focus on finding new customers. We try to determine if additional growth can be seen if the reinvestment is made the right way. We also highly consider the payments revenue from credit cards as well.

Dan: What are Fullsteam's top 3-5 value drivers for evaluating software deals?

Greg:

1. Core business management software; essential to business; mission critical
2. ARR growth
3. Payment's opportunities
4. Profitability

About Greg Colella

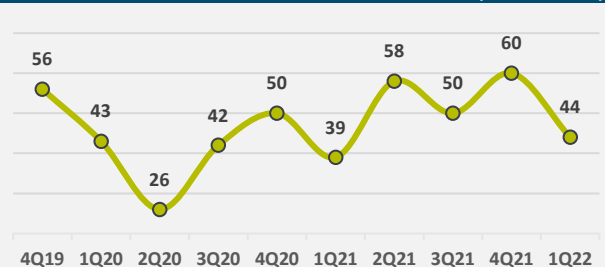
Greg Colella is the Chief Corporate Development & Strategy Officer at Fullsteam.

About FOG Software Group

Fullsteam is a leading payments and technology company that is actively acquiring software businesses across multiple verticals. We provide our family of companies with streamlined payments infrastructure and enhanced operational support in order to increase growth and improve profitability. Backed by Aquiline Capital Partners, Fullsteam is based in Auburn, Ala. <http://www.fullsteam.com>

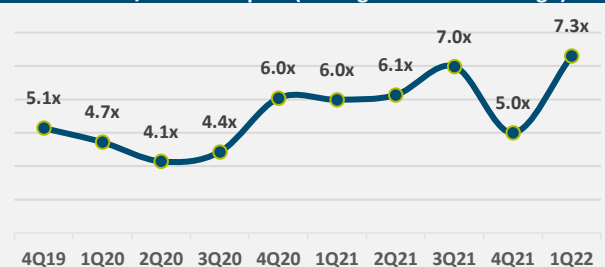
M&A Market Update

Closed Middle-Market Software Transaction Volume (US & Canada)



Source: Capital IQ

SaaS TEV/ARR Multiples (Rolling 12 Month Average)



TEV defined as Total Enterprise Value of the Target
 "Middle Market" defined as Total Transaction Value \$10mm-300mm
 Source: Capital IQ / GF Data

- ▶ Deal flow for the SaaS industry continued its turbulent trend over the past few quarters
- ▶ SaaS M&A volume followed the overall market trend and decreased to 44 total deals closed
- ▶ Q1 2022 deals remained at high valuations with the median deal value at \$47 million

- ▶ Valuations increased significantly from Q4 2021 (keep in mind these deals received the valuation at least 1-2 quarter's prior)
- ▶ As the economy started its dip into the recession in Q1, we began to see a slowdown of good SaaS opportunities hitting the market. Supply/Demand curve should keep multiples high for good businesses.
- ▶ Key drivers for SaaS Companies include Growth Rate, Capital Efficiency (i.e. LTV/CAC Ratio, payment terms, etc.), Market Demand Premium, and Certainty of Continuity (i.e. size of ARR, churn, cash flow, etc.)

Notable Q1 2022 Deals

Target: 

Acquirer: 

Jan. 31, 2022 – Pearson completed the acquisition of Credly for \$246 million. Credly offers an easy-to-use platform for organizations, companies and educational institutions to award employees and workers trusted digital credentials that verify their skills and help connect them with the right opportunities. The business solutions help companies recruit, engage, and develop their workforce.

Target: 

Acquirer: 

Jan. 27, 2022 – BlackLine, Inc. (NasdaqGS: BL) has completed the acquisition of FourQ Systems for \$232 million. FourQ Systems is a leader in intercompany financial management technology. The company lives end-to-end automation of intercompany transactions with configurable rates between buyers and sellers.

Target: 

Acquirer: 

Feb. 7, 2022 – Jacobs Engineering Group Inc. completed the acquisition of StreetLight Data, Inc. for \$197.8 million. StreetLight Data is a pioneer of mobility analytics who uses its vast data and machine learning resources to shed light on mobility, enabling users to solve complex transportation problems.

Forbes M+A Awards



SaaS Coverage Team Overview

Industry leading veterans that possess a depth and breadth of experience across both M&A and private industry as founders, operators, advisors, and executives.



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Select Middle-Market SaaS Transactions – Q1 2022

Date	Target	Buyer	Enterprise Value (\$mm)	Implied EV / LTM	
				Revenue	EBITDA
28-Mar-22	NetFortris, Inc.	Sangoma Technologies Corporation	\$76.4	NA	NA
22-Mar-22	SightPlan, Inc.	SmartRent, Inc.	\$135.0	NA	NA
24-Mar-22	Unbxd Inc	Netcore Cloud Pvt. Ltd.	\$111.1	NA	NA
23-Mar-22	Minds Inc.	Astec Industries, Inc.	\$18.2	NA	NA
14-Mar-22	RailComm LLC	Tracsis plc	\$14.2	2.4x	NA
10-Mar-22	StreetShares, Inc.	MeridianLink, Inc.	\$58.9	NA	NA
09-Mar-22	International Document Services, Inc.	Wolters Kluwer N.V.	\$70.0	NA	NA
02-Mar-22	Logistyx Technologies, LLC	E2open, LLC	\$185.0	4.6x	NA
01-Mar-22	Bbot, Inc.	DoorDash, Inc.	\$88.0	NA	NA
01-Mar-22	Microdesk, Inc.	SymetriAB	\$50.0	0.5x	NA
01-Mar-22	Opta Information Intelligence Inc.	Verisk Analytics, Inc.	\$217.6	NA	NA
23-Feb-22	BA-Insight, LLC	Upland Software, Inc.	\$34.0	NA	NA
23-Feb-22	Area 1 Security, Inc.	Cloudflare, Inc.	\$179.1	NA	NA
04-Mar-22	Omnivore Technologies, Inc.	Olo Inc.	\$49.4	NA	NA
18-Feb-22	NEUROPS INC.	NetApp, Inc.	\$30.0	NA	NA
01-Jan-22	Forensic Logic, Inc.	ShotSpotter, Inc.	\$38.7	NA	NA
18-Feb-22	Bend Financial, Inc.	Webster Financial Corporation	\$55.3	NA	NA
28-Feb-22	Newton Connectivity Systems Inc.	Dominion Lending Centres Inc.	\$75.0	NA	NA
28-Feb-22	Wellbeats, Inc.	LifeSpeak (USA) Inc.	\$92.5	NA	NA
09-Feb-22	NetCHB, L.L.C.	The Descartes Systems Group Inc.	\$98.7	NA	NA
08-Feb-22	Safekeep, Inc.	CCC Intelligent Solutions Holdings Inc.	\$122.3	NA	NA
08-Feb-22	US Edirect Inc.	Tyler Technologies, Inc.	\$116.7	NA	NA
08-Feb-22	Amion	Doximity, Inc.	\$77.5	NA	NA
04-Feb-22	StreetLight Data, Inc.	Jacobs Engineering Group Inc.	\$197.8	NA	NA
02-Feb-22	Wicket Labs Inc.	Brightcove Inc.	\$15.2	NA	NA
31-Jan-22	Congruitive	Tantalus Systems Inc.	\$13.1	5.2x	NA
28-Jan-22	Credly, Inc.	Pearson plc	\$246.0	18.5x	NA
27-Jan-22	Whether or Knot LLC	Vaisala Oyj	\$26.0	8.1x	NA
26-Jan-22	FourQ Systems Inc.	BlackLine, Inc.	\$232.3	NA	NA
01-Feb-22	Kinvolved, Inc.	PowerSchool Holdings, Inc.	\$24.2	NA	NA
20-Jan-22	Infocyte, Inc.	Datto Holding Corp.	\$43.5	NA	NA
01-Mar-22	Boku Identity, Inc.	Twilio Inc.	\$32.3	NA	NA
18-Jan-22	Cloudsnap, Inc.	Paylocity Holding Corporation	\$52.6	NA	NA
12-Jan-22	Artificial Intelligence Universal Incorporated	Foreign Corporation (LTD) AG	\$27.1	NA	NA
07-Jan-22	Objectif Lune Inc.	9457-5032 Quebec Inc.	\$34.3	NA	NA
05-Jan-22	Enview, Inc.	Matterport Operating, LLC	\$64.5	NA	NA
05-Jan-22	ResortSuite Inc.	Agilysys, Inc.	\$25.0	NA	NA
14-Jan-22	Opmantek Limited	Firstwave Cloud Technology Limited	\$48.4	12.0x	NM
12-Mar-22	DSM Tech Enterprises LLC	DLT ASA	\$14.9	NA	NA
04-Jan-22	Link3D Inc.	Materialise NV	\$33.5	NA	NA
17-Feb-22	Reflect Systems, Inc.	Creative Realities, Inc.	\$21.5	NA	NA
07-Mar-22	Bohemia Interactive Simulations, Inc.	BAE Systems plc	\$200.0	NA	NA
03-Jan-22	Crowd Ignition, Inc.	The OLB Group, Inc.	\$3.5	NA	NA
05-Jan-22	Moon, Inc.	NCR Corporation	\$60.2	NA	NA