

US Pure-Play SaaS Market

Sector Brief Review

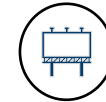


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US Pure-Play SaaS Market Overview

- **Global SaaS** market was valued at ~**\$261 billion** in 2022 and is expected to grow at a CAGR of ~**14%** till 2030
 - **North America** dominates the market with **44%** share
- **Pure-play SaaS** companies typically offer **focused solutions** with a single application solving a key customer problem unlike integrated platforms which offer a mix of products and solutions
- U.S. had ~**17,000** SaaS businesses in 2023
 - Average number of SaaS applications used by companies increased from **80** in 2020 to **130** in 2022
- There are **15** major sub-sectors in SaaS market
 - Trends indicate strong traction in **AgTech, CleanTech PropTech** and **FinTech** sub-sectors as the underlying markets grow
- The main factors propelling the SaaS market include **AI integration, prioritized security, emergence of vertical SaaS, data as a services, low code capabilities, and innovative pricing strategies** amid rising costs

Major sub-sectors in SaaS Market



AdTech



AgTech



Communication



CRM



Cybersecurity



E-commerce



EdTech



Enterprise



ERP



CleanTech



FinTech



MedTech



HR



LegalTech



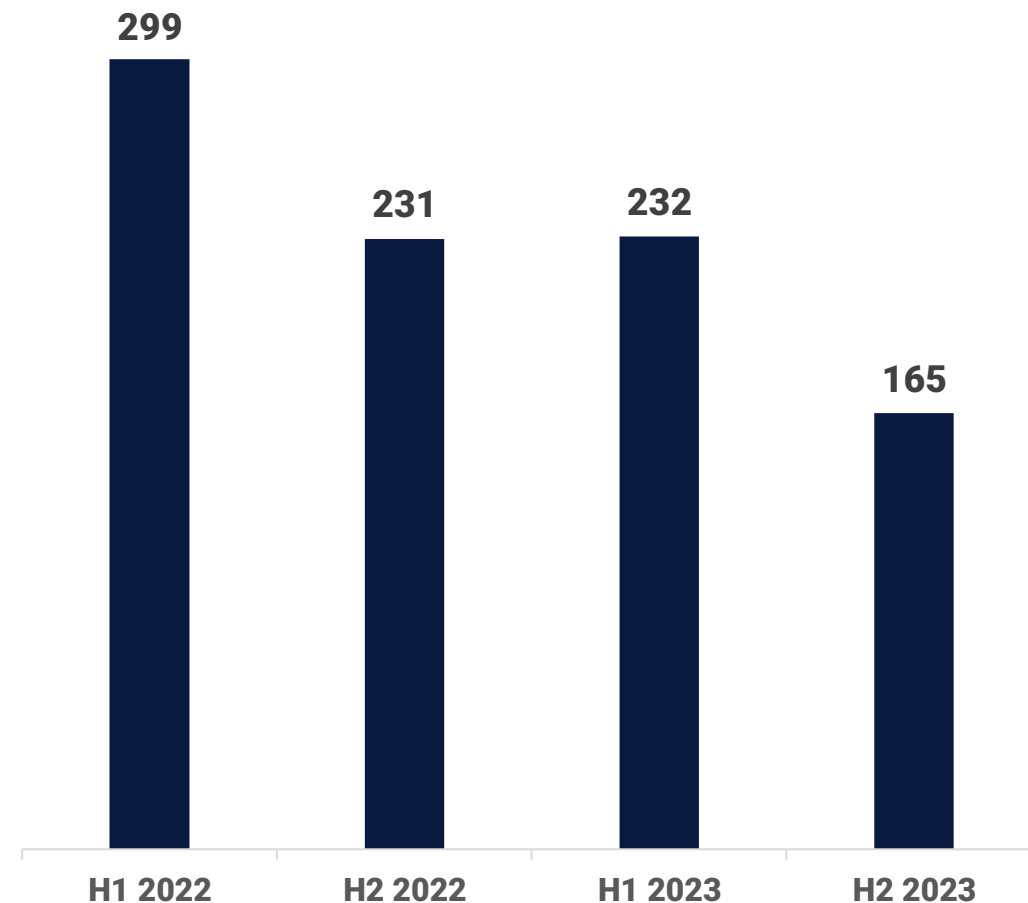
PropTech



US SaaS M&A Overview

- Most active sub-sectors for M&A deals in 2023 were **CRM, Cybersecurity, FinTech** and **ERP**
- **Vertical SaaS** which focuses on custom solutions for specific industries is attracting both **strategic** and **PE** M&A buyers
- **PE investors/buyers** led the M&A transactions by adding companies to their portfolios through add-on/platform deals
- **Strategic private buyers** are **equally** active in the market
- **Strategic companies** (like Snowflake and GigaCloud Technology) are also showing **increasing M&A** momentum by acquiring **mid-market** targets
- M&A deals in this sector are expected to gain **further momentum** in 2024 with AI emerging as prominent technology driving strategic acquisitions and partnerships

US SaaS M&A⁽¹⁾ Volume

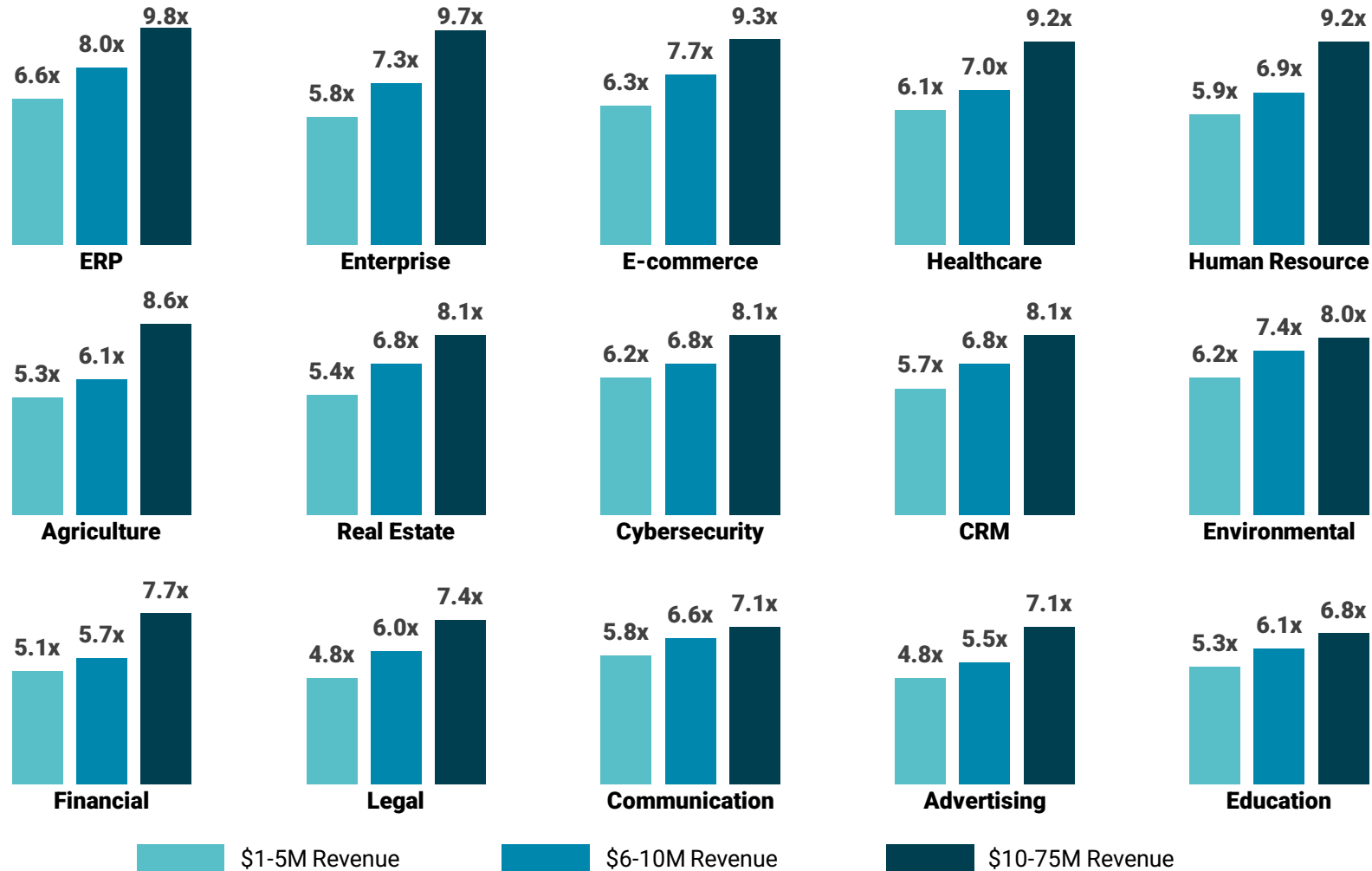


Source : CapitalIQ



Scaled Up SaaS Businesses get Highest Valuation

Revenue Multiples for Sub Sectors



- SaaS companies with revenues between \$1-\$2M may not attract many PE buyers, but strategic SaaS buyers will still assess their business fit
- When SaaS companies reach \$5M ARR- they become more appealing to investors/buyers, typically showing market adoption, resulting in higher valuation multiples
- SaaS companies above \$10M ARR have reached a critical mass in the business and hence they receive the highest valuation typically ranging 7-10x of revenue, depending on market conditions and growth potential

Selected Mid-Market M&A Transactions Since 2021

Significant M&A Deals

Date	Target	Acquiror(s) / Investor(s)	Deal Size (US\$M)	Stake%	Target Business Description
Nov-23	Apexis, Inc.	GigaCloud Technology Inc. (NasdaqGM:GCT)	10	100%	Apexis, Inc., doing business as Wondersign, develops (SaaS), data syndication platform for retailers and brands
Oct-23	SPATIALinfo, Inc./Razorsight Corporation/Openwave Messaging, Inc.	Lumine Group Inc. (TSXV:LMN)	42	100%	SPATIALinfo, Inc. offers network-management software. Razorsight Corporation provides SaaS profit analytics
Aug-23	Tagger Media, Inc.	Sprout Social, Inc. (NasdaqCM:SPT)	144	100%	Tagger Media, Inc. develops a data-driven and end-to-end influencer SaaS marketing platform
Jun-23	Berbix Inc.	Socure Inc.	70	100%	Berbix Inc. develops a software-as-a-service (SaaS) based photo identity verification and fraud deterrence solution
Jun-23	Frame Platform, Inc.	Dizzion, Inc.	12	100%	Frame Platform, Inc. provides software as a service platform that allows individuals, education institutions, businesses, and software vendors to run their Windows applications online
May-23	Neeva, Inc.	Snowflake Inc. (NYSE:SNOW)	150	100%	Neeva Inc. develops and operates software as a service based an ad-free search engine that helps users to find online content
Mar-23	Fond Technologies, Inc.	Reward Gateway (UK) Ltd.	20	100%	Fond Technologies, Inc. develops a employee engagement software as a service (SaaS) that helps to increase employee recognition platform for rewarding achievements and milestones
Feb-23	Windigo Logistics, Inc.	The Descartes Systems Group Inc. (TSX:DSG)	219	100%	Windigo Logistics, Inc. designs and develops SaaS-based software platform for transportation, logistics, supply chain, and storage industries
Dec-22	KingStreetLabs, LLC	Dropbox, Inc. (NasdaqGS:DBX)	71	100%	KingStreetLabs, LLC operates as a SaaS based company that facilitates the customization, signing, and download of legal, business, and personal forms and documents
Oct-22	Revvsales, Inc.	LegalZoom.com, Inc. (NasdaqGS:LZ)	7	100%	Revvsales, Inc. develops software as a service (SaaS) product to craft professional for quotations
Sep-22	CXApp Holding Corp.	CXApp Inc. (NasdaqCM:CXAI)	74	100%	CXApp offers a software-as-a-service platform with native mapping, analytics, on-device positioning, and applications technologies
Sep-22	RapidMiner, Inc.	Altair Engineering Inc. (NasdaqGS:ALTR)	100	100%	RapidMiner, Inc. provides a software and SaaS platform for analytics teams that unites data prep, machine learning, and predictive model deployment

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Sep-22	SenseHawk, Inc.	Reliance Industries Limited (NSEI:RELIANCE)	32	79%	SenseHawk, Inc. operates as a SaaS company that helps customers develop, build, and operate solar and other infrastructure sites through insights
Jul-22	Redi2 Technologies, Inc.	Envestnet, Inc. (NYSE:ENV)	78	100%	Redi2 Technologies, Inc. provides revenue management platform and SaaS solutions to the financial services industry in the United States and internationally
May-22	SaaS Business of GetSwift Technologies Limited	Stage Equity Partners, LLC	5	100%	SaaS Business of GetSwift Technologies Limited comprises SaaS business solutions with assets located in the United States
Apr-22	Bundle B2b Inc.	BigCommerce Holdings, Inc. (NasdaqGM:BIGC)	8	100%	Bundle B2B Inc. develops SaaS based B2B eCommerce platform
Mar-22	SightPlan, Inc.	SmartRent, Inc. (NYSE:SMRT)	131	100%	SightPlan, Inc., a SaaS company, develops software tools for apartment homes and communities in the United States
Mar-22	StreetShares, Inc.	MeridianLink, Inc. (NYSE:MLNK)	56	100%	StreetShares, Inc., a financial technology company, develops and offers small business banking SaaS solutions for community banks, credit unions, and non-financial organizations
Feb-22	Forensic Logic, Inc.	SoundThinking, Inc. (NasdaqCM:SSTI)	34	100%	Forensic Logic, Inc. develops SaaS information technology to local, state, and federal law enforcement agencies
Feb-22	Wellbeats, Inc.	Lifespeak (USA) Inc.	89	100%	Wellbeats, Inc., a provider of on-demand SaaS physical wellbeing platform, develops and delivers virtual wellness solutions
Feb-22	WiteSand Systems, Inc.	Juniper Networks, Inc. (NYSE:JNPR)	21	100%	WiteSand Systems, Inc. develops SaaS subscription-based platform that helps enterprise network managers gain an integrated portal in the cloud leveraging the latest advances
Jan-22	Credly, Inc.	Pearson plc (LSE:PSON)	190	80%	Credly, Inc. offers SaaS platform used to create, manage & display credentials, including related hardware & software and third-party software or systems
Nov-21	Medactionplan.Com, LLC	CareDx, Inc (NasdaqGM:CDNA)	250	100%	Medactionplan offers a web-based SaaS platform for clinicians and a mobile app for patients
Oct-21	interlinkONE, Inc.	Ameritek Ventures, Inc. (OTCPK:ATVK)	38	100%	interlinkONE, Inc. develops and provides SaaS based integrated marketing software solutions and services

Have questions about this report or would like to speak to our team?



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