



Technology Industry

Software & Services Trading and Financial Trends

INDUSTRY UPDATE

Q1 2023

Application Software

Data Processing and Services

Internet and Infrastructure

IT Consulting

Systems Software





TECHNOLOGY MARKETS OVERVIEW

INTRODUCTION

Our Stout Software & Services Index (“Stout Index”) had a median enterprise value to revenue valuation multiple of **3.2x** on March 31, 2023, an increase from **2.7x** at the end of 2022. The index revenue multiple increase was driven primarily by an increase in median enterprise value as tech shares rose during the quarter. The index is still well off the high of **7.6x** in October 2021. Revenue growth for twelve-month period (“TTM”) continued to slow in the quarter to a **12%** growth rate compared to Q3 and Q4 2022 rates of **15%** and **13%**, respectively. **The slowing revenue growth rate for the Stout Index may point to some cracks in the tech middle market as valuations in this segment are more sensitive to growth rates than large cap tech.**

Middle market technology companies underperformed their large tech peers as the market rebounded in the first quarter. The median TTM enterprise value for the Stout Index has fallen **20%** compared to a drop of just **6%** for the S&P 500 Information Technology Index (“S&P 500 IT”). Median gross margin for the Stout Index and the S&P 500 IT remained constant from the previous quarter at **63%** and **58%**, respectively.

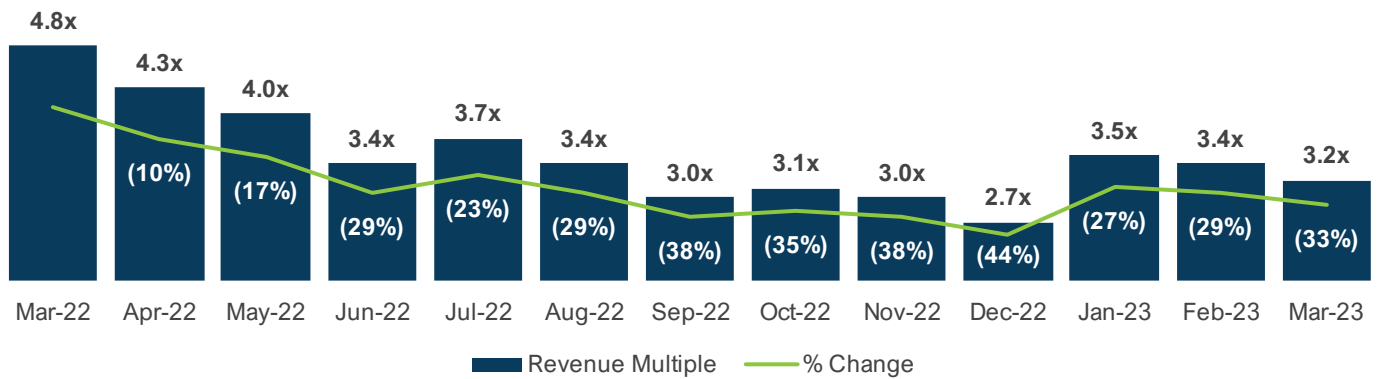
Deal flow across software and IT services was down in Q1 2023 compared to last year’s first quarter according to Pitchbook. Strategic M&A deal count in Q1 2023 was **385** with a volume of **\$26 billion** compared to **613** deals and a volume of **\$138 billion** in Q1 2022. Private equity deal count in Q1 2023 was **246** with a volume of **\$43 billion** compared to **424** deals and a volume of **\$55 billion** in Q1 2022.

There were some notable M&A transactions in our Stout Index that occurred during the quarter, and their data has been removed from our index calculations:

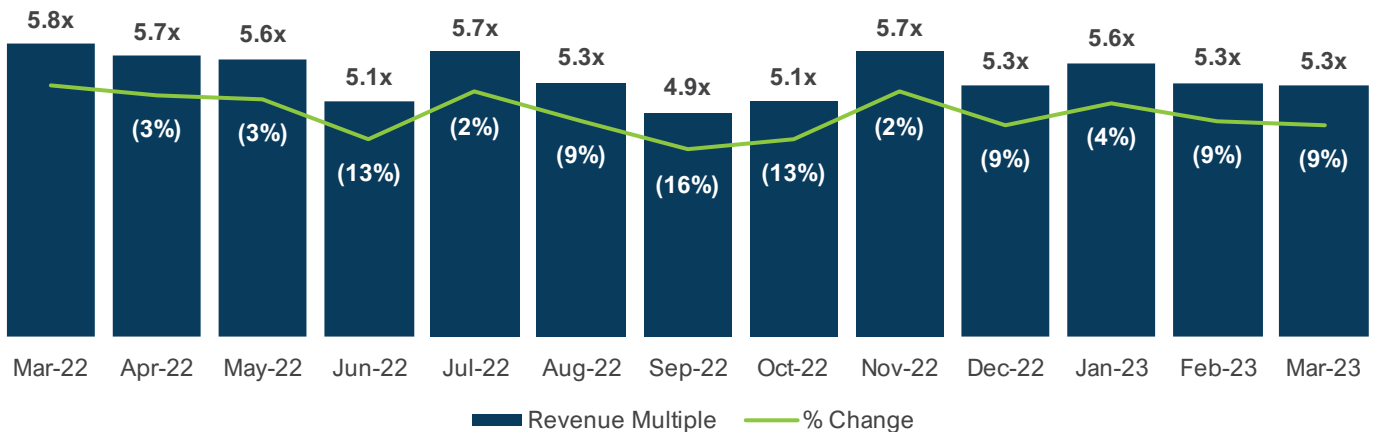
- BenefitFocus was acquired by Vaya Financial in January (2.3x revenue)
- UserTesting was acquired by Thoma Bravo and Sunstone in January (7.0x revenue)
- Paya Holdings was acquired by Nuvei Corporation in February (4.6x revenue)
- EVO Payments was acquired by Global Payments in March (7.4x revenue)

MEDIAN ENTERPRISE VALUE / REVENUE MULTIPLES FOR THE TRAILING 12 MONTHS

STOUT SOFTWARE & SERVICES INDEX



S&P 500 INFORMATION TECHNOLOGY

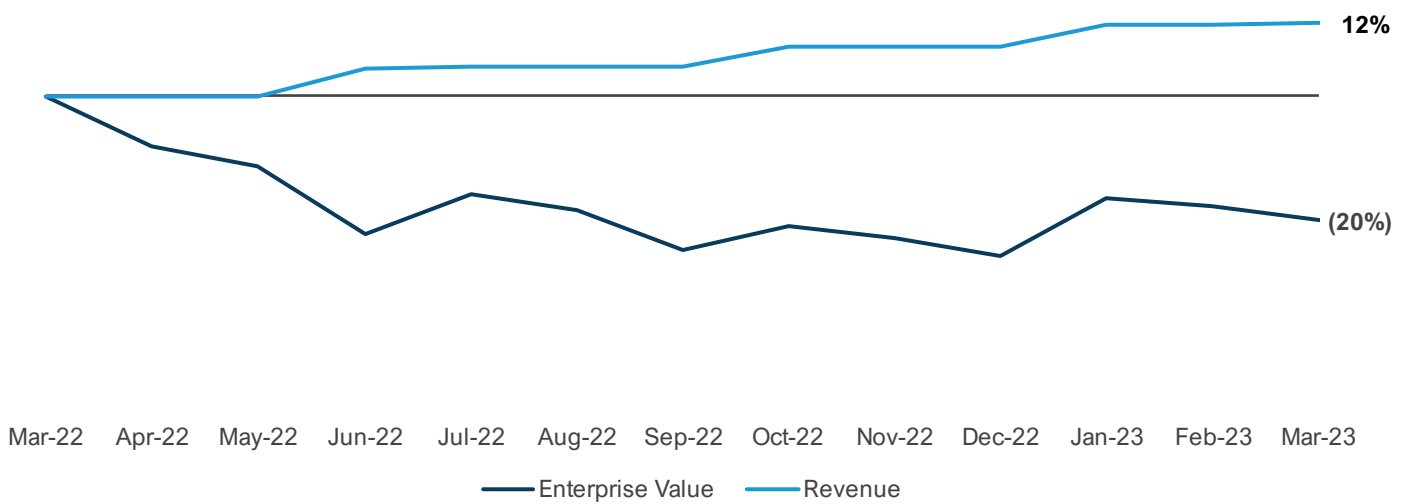


Source: Publicly available data

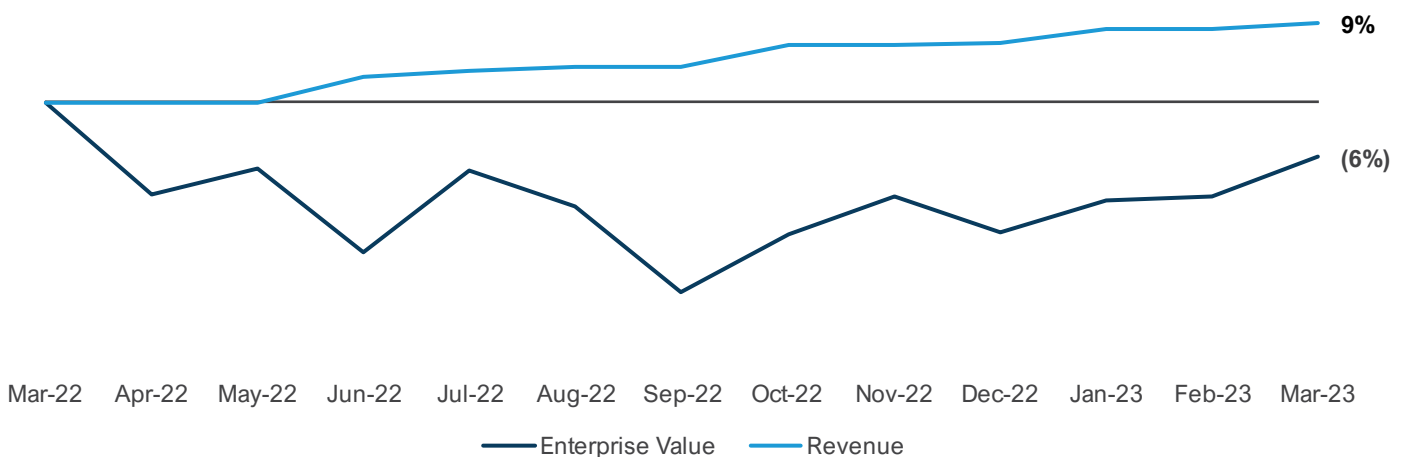


MEDIAN ENTERPRISE VALUE & REVENUE PERCENT CHANGE FOR THE TRAILING 12 MONTHS

STOUT SOFTWARE & SERVICES INDEX



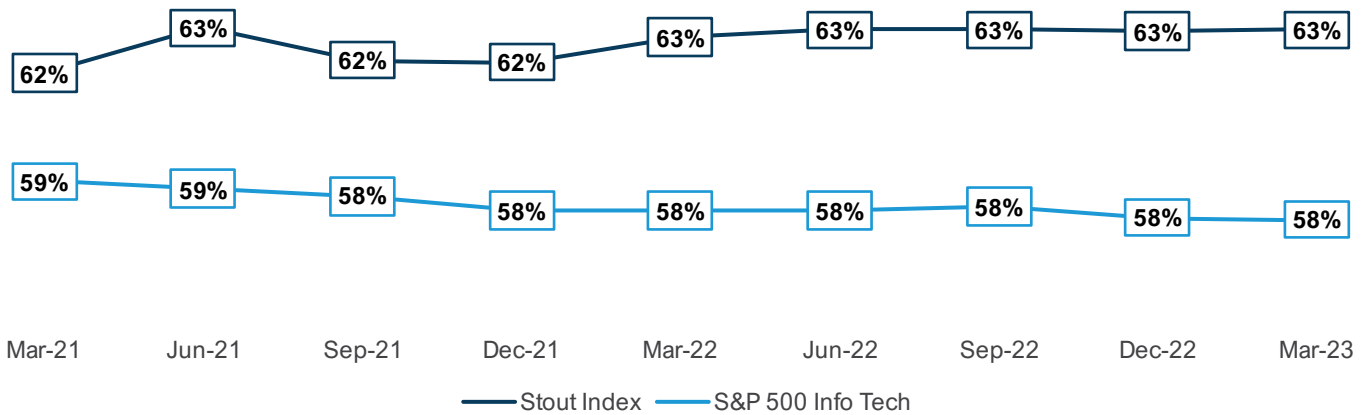
S&P 500 INFORMATION TECHNOLOGY



Source: Publicly available data

STOUT SOFTWARE & SERVICES INDEX | S&P 500 INFORMATION TECHNOLOGY

MEDIAN GROSS MARGIN BY QUARTER



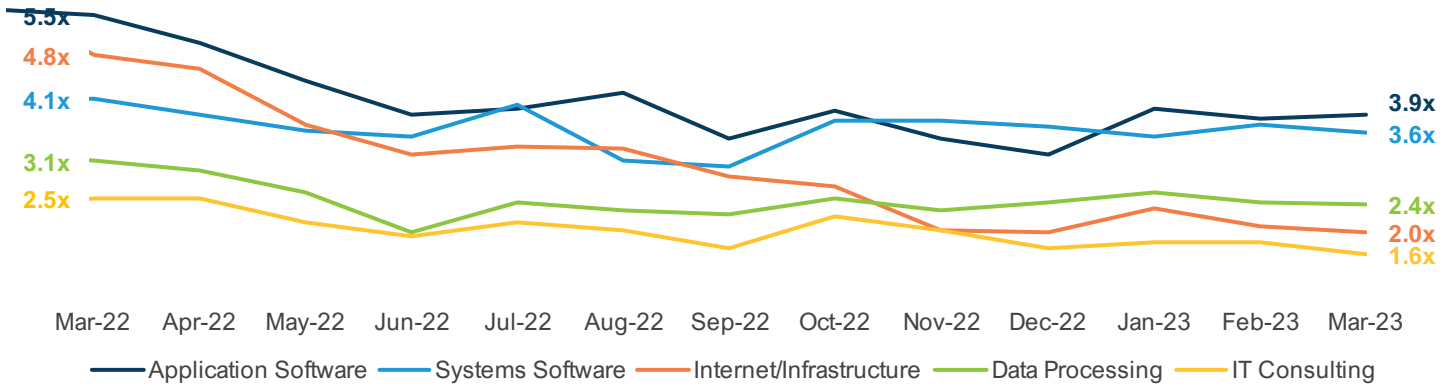
It is worth noting that included in the S&P 500 Information Technology sector are companies in hardware, software, and IT services, and this may explain some of the difference in median gross margin for this sector compared to the Stout Index, which excludes companies that are primarily classified as hardware. In September 2018, S&P reclassified a number of its sector indices to account for the significant rise in the technology sector as a portion of the overall S&P 500. The S&P 500 Telecom sector was renamed the S&P 500 Communications Services sector. Alphabet and Facebook (now Meta) were moved from Information Technology to Communications Services. Disney, Comcast, Netflix, Twitter, and CBS were moved from the Consumer Discretionary sector to Communications Services at the same time.

Source: Publicly available data

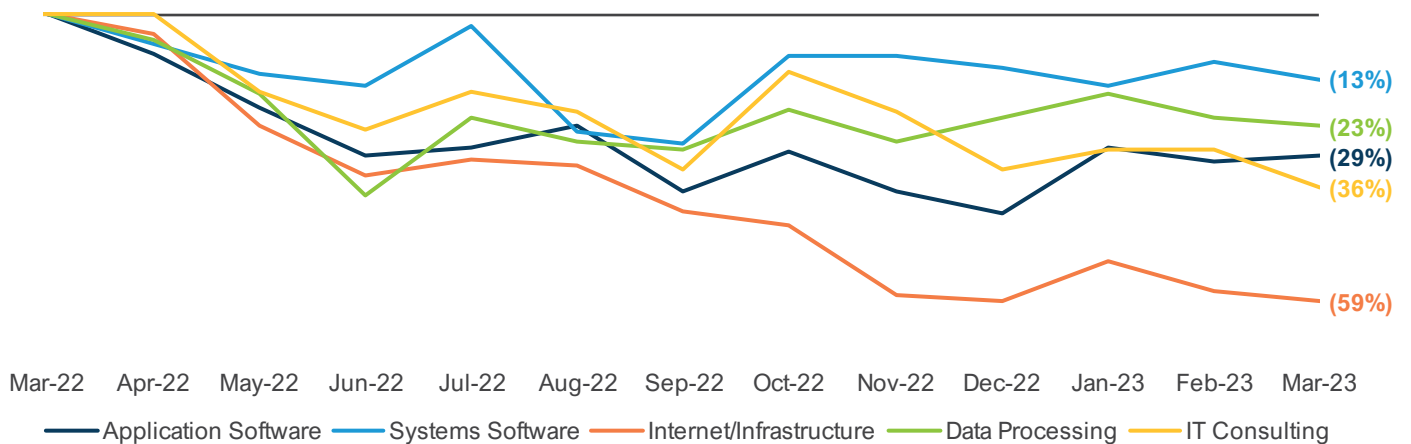


STOUT SOFTWARE & SERVICES INDEX

REVENUE MULTIPLES BY SEGMENT TRAILING 12 MONTHS



PERCENT CHANGE IN REVENUE MULTIPLES BY SEGMENT TRAILING 12 MONTHS



Source: Publicly available data

Stout Software & Services Index

Q1 2023 LIST

Company Name	Segment	EV/Revenue	EV	Gross Margin
Marathon Digital Holdings, Inc. (NasdaqCM:MARA)	Application Software	18.2x	2,138	38%
Altium Limited (ASX:ALU)	Application Software	13.5x	3,163	53%
Sprout Social, Inc. (NasdaqCM:SPT)	Application Software	12.6x	3,188	76%
C3.ai, Inc. (NYSE:AI)	Application Software	11.2x	2,985	71%
Agilysys, Inc. (NasdaqGS:AGYS)	Application Software	10.4x	1,988	61%
Flywire Corporation (NasdaqGS:FLYW)	Data Processing	10.0x	2,884	63%
Clearwater Analytics Holdings, Inc. (NYSE:CWAN)	Application Software	9.8x	2,961	71%
Intapp, Inc. (NasdaqGS:INTA)	Application Software	9.1x	2,824	66%
PagerDuty, Inc. (NYSE:PD)	Application Software	8.1x	3,021	81%
Duck Creek Technologies, Inc. (NasdaqGS:DCT)	Application Software	7.6x	2,357	57%
N-able, Inc. (NYSE:NABL)	Systems Software	7.2x	2,680	85%
ForgeRock, Inc. (NYSE:FORG)	Application Software	6.9x	1,510	82%
Appgate, Inc. (OTCPK:APGT)	Systems Software	6.3x	300	61%
Vertex, Inc. (NasdaqGM:VERX)	Application Software	6.3x	3,095	61%
Boku, Inc. (AIM:BOKU)	Data Processing	6.1x	402	97%
MeridianLink, Inc. (NYSE:MLNK)	Application Software	6.1x	1,769	69%
ShotSpotter, Inc. (NasdaqCM:SSTI)	Application Software	5.9x	475	58%
JFrog Ltd. (NasdaqGS:FROG)	Systems Software	5.7x	1,585	78%
Model N, Inc. (NYSE:MODN)	Application Software	5.6x	1,272	56%
Riot Blockchain, Inc. (NasdaqCM:RIOT)	Application Software	5.6x	1,460	25%
Fastly, Inc. (NYSE:FSLY)	Internet Services and Infrastructure	5.5x	2,378	49%
Jamf Holding Corp. (NasdaqGS:JAMF)	Application Software	5.4x	2,565	79%
Squarespace, Inc. (NYSE:SQSP)	Internet Services and Infrastructure	5.4x	4,700	82%

Source: Publicly available data

Stout Software & Services Index

Q1 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
Alkami Technology, Inc. (NasdaqGS:ALKT)	Application Software	5.3x	1,083	53%
Progress Software Corporation (NasdaqGS:PRGS)	Systems Software	5.2x	3,206	88%
Varonis Systems, Inc. (NasdaqGS:VRNS)	Systems Software	5.1x	2,393	85%
PROS Holdings, Inc. (NYSE:PRO)	Application Software	5.0x	1,379	60%
Verra Mobility Corporation (NasdaqCM:VRRM)	Data Processing	5.0x	3,679	63%
Amplitude, Inc. (NasdaqCM:AMPL)	Application Software	4.8x	1,132	70%
E2open Parent Holdings, Inc. (NYSE:ETWO)	Application Software	4.8x	3,018	66%
Olo Inc. (NYSE:OLO)	Application Software	4.8x	888	69%
Semrush Holdings, Inc. (NYSE:SEMR)	Application Software	4.7x	1,199	81%
Clear Secure, Inc. (NYSE:YOU)	Application Software	4.6x	2,030	63%
Sprinklr, Inc. (NYSE:CXM)	Application Software	4.6x	2,821	74%
Cerence Inc. (NasdaqGS:CRNC)	Application Software	4.1x	1,305	69%
Remitly Global, Inc. (NasdaqGS:RELY)	Data Processing	4.1x	2,661	50%
Everbridge, Inc. (NasdaqGM:EVBG)	Application Software	4.0x	1,720	69%
EVERTEC, Inc. (NYSE:EVTC)	Data Processing	4.0x	2,446	53%
AvidXchange Holdings, Inc. (NasdaqGS:AVDX)	Data Processing	3.9x	1,245	63%
EverCommerce Inc. (NasdaqGS:EVCM)	Application Software	3.9x	2,449	65%
Zeta Global Holdings Corp. (NYSE:ZETA)	Application Software	3.9x	2,309	64%
Consensus Cloud Solutions, Inc. (NasdaqGS:CCSI)	Application Software	3.8x	1,395	83%
Expensify, Inc. (NasdaqGS:EXFY)	Application Software	3.8x	636	63%
Sumo Logic, Inc. (NasdaqGS:SUMO)	Application Software	3.7x	1,126	68%
A10 Networks, Inc. (NYSE:ATEN)	Systems Software	3.6x	1,018	80%
Repay Holdings Corporation (NasdaqCM:RPAY)	Data Processing	3.6x	1,011	77%

Source: Publicly available data

Stout Software & Services Index

Q1 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
InterDigital, Inc. (NasdaqGS:IDCC)	Application Software	3.5x	1,597	100%
Mitek Systems, Inc. (NasdaqCM:MITK)	Application Software	3.5x	492	90%
SolarWinds Corporation (NYSE:SWI)	Internet Services and Infrastructure	3.5x	2,520	91%
Xperi Holding Corporation (NasdaqGS:XPER)	Systems Software	3.5x	1,554	100%
BigBear.ai Holdings, Inc. (NYSE:BBAI)	IT Consulting	3.4x	532	28%
Verint Systems Inc. (NasdaqGS:VRNT)	Application Software	3.4x	3,042	69%
i3 Verticals, Inc. (NasdaqGS:IIIV)	Data Processing	3.2x	1,047	77%
Couchbase, Inc. (NasdaqGS:BASE)	Application Software	3.1x	481	87%
Cyxtera Technologies, Inc. (NasdaqGS:CYXT)	Internet Services and Infrastructure	3.1x	2,326	62%
Momentive Global Inc. (NasdaqGS:MNTV)	Application Software	3.0x	1,434	82%
Q2 Holdings, Inc. (NYSE:QTWO)	Application Software	3.0x	1,719	45%
Zuora, Inc. (NYSE:ZUO)	Systems Software	3.0x	1,190	62%
Commvault Systems, Inc. (NasdaqGS:CVLT)	Systems Software	2.9x	2,267	83%
OneSpan Inc. (NasdaqCM:OSPN)	Systems Software	2.8x	612	68%
Payoneer Global Inc. (NasdaqGM:PAYO)	Data Processing	2.7x	1,713	82%
Shift4 Payments, Inc. (NYSE:FOUR)	Data Processing	2.7x	5,448	24%
Yext, Inc. (NYSE:YEXT)	Application Software	2.7x	1,102	74%
Life360, Inc. (ASX:360)	Application Software	2.6x	584	65%
American Software, Inc. (NasdaqGS:AMSW.A)	Application Software	2.5x	322	61%
BigCommerce Holdings, Inc. (NasdaqGM:BIGC)	Internet Services and Infrastructure	2.5x	709	75%
AvePoint, Inc. (NasdaqGS:AVPT)	Application Software	2.4x	565	72%
Matterport, Inc. (NasdaqGM:MTTR)	Application Software	2.4x	323	38%
Digital Turbine, Inc. (NasdaqCM:APPS)	Application Software	2.2x	1,582	49%

Source: Publicly available data

Stout Software & Services Index

Q1 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
Cass Information Systems, Inc. (NasdaqGS:CASS)	Data Processing	2.1x	402	42%
Sabre Corporation (NasdaqGS:SABR)	Data Processing	2.1x	5,398	59%
Grid Dynamics Holdings, Inc. (NasdaqCM:GDYN)	IT Consulting	2.0x	609	39%
Weave Communications, Inc. (NYSE:WEAV)	Application Software	2.0x	288	63%
Cantaloupe, Inc. (NasdaqGS:CTLP)	Data Processing	1.9x	430	29%
CSG Systems International, Inc. (NasdaqGS:CSGS)	Data Processing	1.8x	1,976	48%
International Money Express, Inc. (NasdaqCM:IMXI)	Data Processing	1.8x	974	33%
KLDiscovery Inc. (OTCPK:KLDI)	Application Software	1.8x	559	48%
The Hackett Group, Inc. (NasdaqGS:HCKT)	IT Consulting	1.8x	533	40%
Axway Software SA (ENXTPA:AXW)	Application Software	1.7x	586	20%
LiveRamp Holdings, Inc. (NYSE:RAMP)	Application Software	1.7x	1,008	72%
Priority Technology Holdings, Inc. (NasdaqCM:PRTH)	Data Processing	1.7x	1,112	34%
TaskUs, Inc. (NasdaqGS:TASK)	Data Processing	1.7x	1,586	42%
Upland Software, Inc. (NasdaqGM:UPLD)	Application Software	1.7x	525	67%
Cerberus Cyber Sentinel (NasdaqCM:CISO)	IT Consulting	1.6x	60	5%
CS Disco, Inc. (NYSE:LAW)	Application Software	1.5x	202	75%
Core Scientific, Inc. (NasdaqGS:CORZ)	Internet Services and Infrastructure	1.4x	1,150	24%
Kaltura, Inc. (NasdaqGS:KLTR)	Application Software	1.4x	232	63%
AgileThought, Inc. (NasdaqCM:AGIL)	IT Consulting	1.3x	224	33%
LivePerson, Inc. (NasdaqGS:LPSN)	Application Software	1.3x	686	64%
MoneyGram International, Inc. (NasdaqGS:MGI)	Data Processing	1.3x	1,666	47%
Rackspace Technology, Inc. (NasdaqGS:RXT)	Internet Services and Infrastructure	1.3x	4,084	28%
SecureWorks Corp. (NasdaqGS:SCWX)	Systems Software	1.3x	603	59%

Source: Publicly available data

Stout Software & Services Index

Q1 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
8x8, Inc. (NYSE:EGHT)	Application Software	1.2x	918	66%
Information Services Group, Inc. (NasdaqGM:III)	IT Consulting	1.1x	302	41%
IBEX Limited (NasdaqGM:IBEX)	Data Processing	1.0x	498	30%
Brightcove Inc. (NasdaqGS:BCOV)	Internet Services and Infrastructure	0.9x	181	64%
Ebix, Inc. (NasdaqGS:EBIX)	Application Software	0.9x	979	31%
WM Technology, Inc. (NasdaqGS:MAPS)	Application Software	0.9x	191	93%
Edgio, Inc. (NasdaqGS:EGIO)	Internet Services and Infrastructure	0.8x	242	40%
Rimini Street, Inc. (NasdaqGM:RMNI)	Application Software	0.8x	326	63%
Blend Labs, Inc. (NYSE:BLND)	Application Software	0.7x	161	38%
Conduent Incorporated (NasdaqGS:CNDT)	Data Processing	0.5x	1,838	22%
Telos Corporation (NasdaqGM:TLS)	Systems Software	0.3x	71	36%
Tingo, Inc. (OTCPK:TMNA)	Internet Services and Infrastructure	0.2x	226	63%
Unisys Corporation (NYSE:UIS)	IT Consulting	0.2x	477	28%

Source: Publicly available data

Technology Practice Overview

ABOUT

For more than 30 years, Stout has exclusively focused on serving the unique M&A transaction advisory needs of middle-market clients. Our firm is a trusted advisor to leading organizations due to our deep industry knowledge, senior-level attention, process expertise, and relentless focus on delivering unparalleled results.

The Stout Technology team has deep experience and expertise across numerous industry subsectors, processes, and end markets.

FOCUS AREAS

Software

- Enterprise Software
- Consumer
- Cybersecurity
- Data Analytics
- Managed/IT Services
- Digital Transformation
- Healthcare Software
- Education Software
- Cleantech Software
- Fintech/POS

Hardware

- IoT
- Industrial Tech
- Semiconductors
- Electronic Components
- Cloud Infrastructure
- Wearables
- Medical Devices
- Smart Cities
- Cleantech Applications
- Critical Infrastructure

SELECT TECHNOLOGY TRANSACTIONS

 has been acquired by  SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR
 PRIVATE PLACEMENT	 has been acquired by  SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR
 has been acquired by  SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR

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Note: Transaction experience may include work by Stout professionals while at prior firms



ABOUT STOUT INVESTMENT BANKING

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