



INDUSTRY INSIGHTS SOFTWARE

Q1 2021 Technology M&A Market Update

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While 2020 brought unprecedented challenges, the pandemic-induced recession catalyzed accelerated technology adoption establishing a further divide between the prospects facing the software-enabled, digital-first economy and the physical economy. As a key enabler, technology allowed organizations and individuals to engage in business, education and training, and healthcare in remote environments, sustaining business operations. Enterprise software and service providers focused on remote collaboration and Cloud migration attracted strong buyer interest, particularly those companies that showed pandemic resilient business models.

Following a fervent first quarter of dealmaking, the pandemic paralyzed the global software market and resulted in a decade-low performance as evidenced by the approximately 21% drop in large-cap deal activity during Q2 2020. However, emerging buyer confidence drove record high levels of activity by Q4 2020, fueling some of the largest software deals announced to date. This renewed confidence drove a recovery in technology spend largely attributable to digital transformation. The unprecedented rebound was most evident in the bulge bracket application software market where targets valued at more than \$1 billion represented 76% of disclosed deal value and traded at a median of 8.6x revenue. Private equity (PE) software activity also reached record volume through Q4 2020, as attractive returns drove more dry powder into the sector. While increased dealmaking was evident across all software sectors, it was most notable throughout infrastructure, engineering, fintech, collaboration and analytics software end markets. This level of acquisition activity is expected to continue into 2021.

BDO Capital Advisors, LLC provides the following services:

- ▶ Sell-side Advisory
- ▶ Acquisition Advisory
- ▶ Board Advisory
- ▶ Capital Raising

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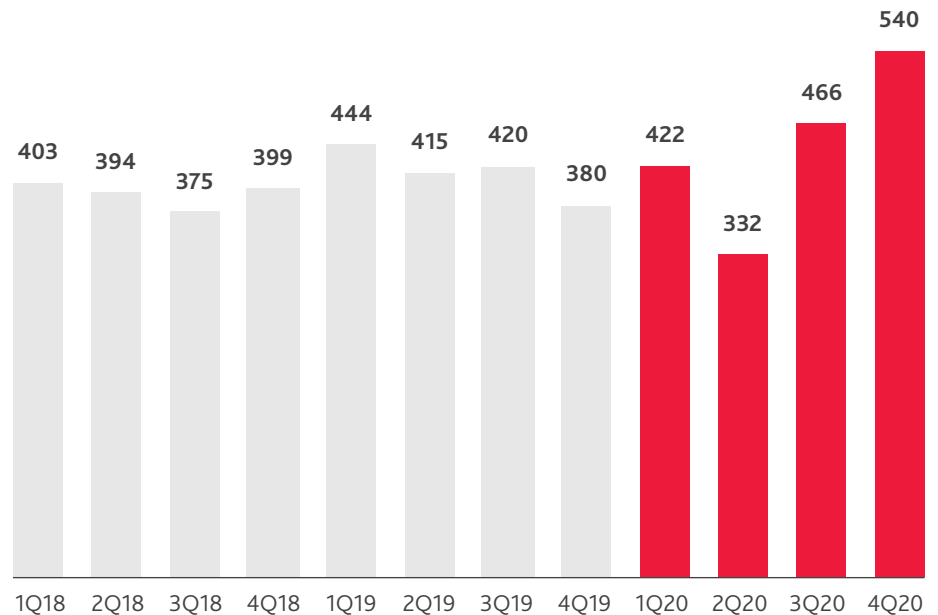
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SECTOR M&A ACTIVITY

M&A Transaction Volume: Global Software Industry

Commentary

- ▶ Transaction activity in the global software M&A market rebounded in the second half of 2020 driving a 6% YoY increase in transaction volume over 2019.
- ▶ Technology adoption drove deal activity in Q4 2020 to its highest point in the past ten years with 540 announced transactions.
- ▶ Both strategic and private equity buyers remained active despite the effects of COVID-19's impact throughout 2020.

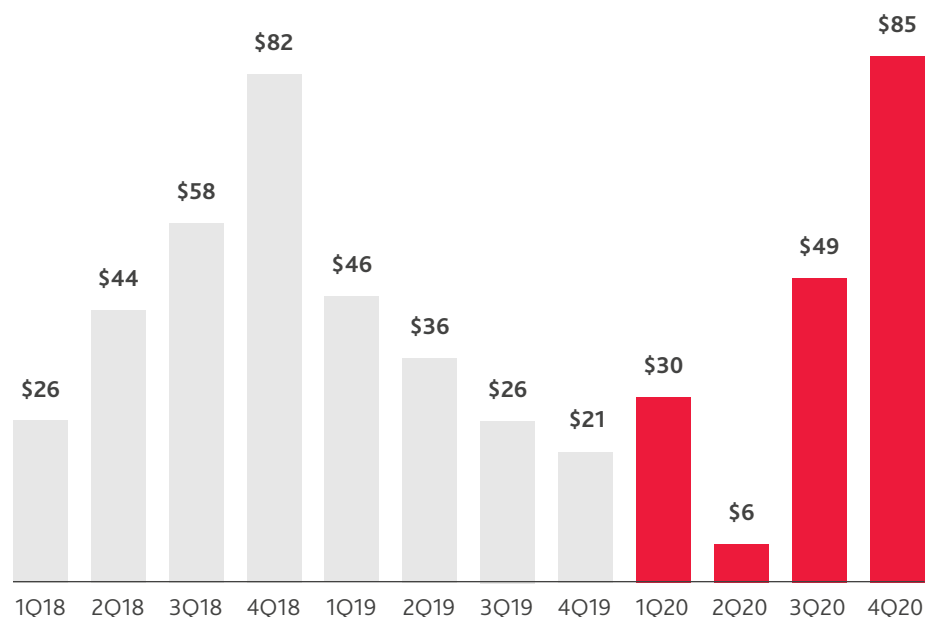


Source: S&P Capital IQ

M&A Transaction Value (\$B): Global Software Industry

Commentary

- ▶ Total reported deal value increased through year-end 2020 compared to deal value transacted in 2019.
- ▶ The total reported deal value in 2020 was \$170 billion, or 32% above the prior year level.
- ▶ After all-time lows in Q2 2020, the market rebounded and had the highest quarterly value of the past ten years in Q4.
- ▶ Megadeals (transactions exceeding \$1 billion) accounted for 76% of transaction value in Q4 2020.



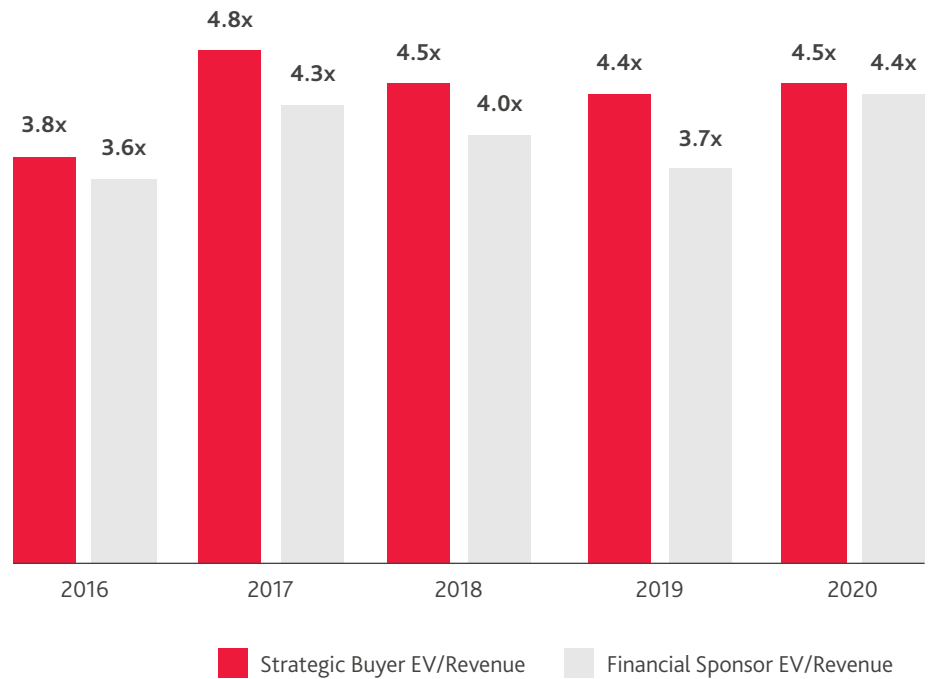
Source: S&P Capital IQ

SECTOR VALUATION TRENDS

Median U.S. Software M&A Transaction Multiples

Commentary

- ▶ Strategic revenue multiples increased slightly in 2020 compared to the prior year, as industry leaders were able to consolidate quality assets and utilize synergies during the pandemic to drive value.
- ▶ PE firms continued to offer competitive pricing versus strategic buyers, with financial sponsor revenue multiples increasing to 4.4x in 2020 from 3.7x in 2019.
- ▶ \$1B+ megadeals traded at a median of 8.6x revenue in 2020, compared to a median 6.4x revenue multiple in 2019.

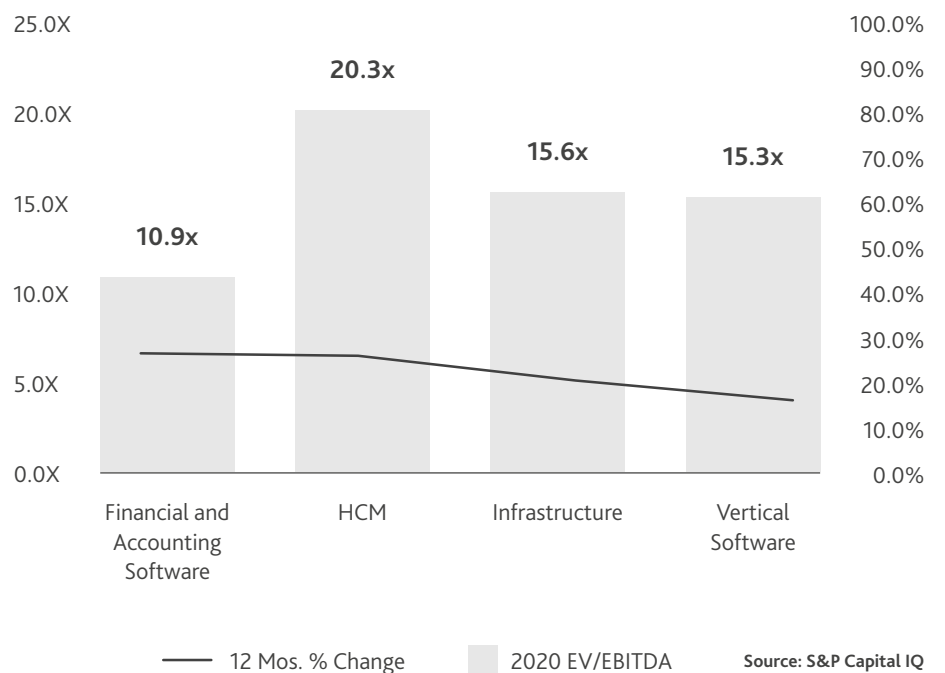


Note: Includes revenue multiples between 3x and 10x
Source: S&P Capital IQ

Public Company Performance for Select Sub-sectors

Commentary

- ▶ Public software companies had strong growth rates in 2020, especially in the Human Capital Management (HCM) and Financial & Accounting Software subsectors.
- ▶ HCM's increase in value could be attributed to the overwhelming reliance on remote capabilities over the last year.



Source: S&P Capital IQ

SOFTWARE EQUITY TRADING TRENDS

Top Six Largest Software Acquisitions of 2020

Commentary

- ▶ These six megadeals accounted for 39% of all transaction value in 2020.
- ▶ Revenue multiples for these large deals were significantly higher than the broader software market.
- ▶ Salesforce's acquisition of Slack was the largest software deal of 2020, at \$28.4 billion in value and a valuation of 36.4x revenue.

Target	Acquiror	Deal Size	EV/Rev
Slack Technologies, Inc. (NYSE:WORK)	Salesforce (NYSE:CRM)	\$28.4B	36.4x
RealPage, Inc. (NasdaqGS:RP)	Thoma Bravo, LLC	\$10.2B	9.4x
Ellie Mae, Inc.	Intercontinental Exchange, Inc. (NYSE:ICE)	\$10.0B	12.2x
CPA Global	Clarivate Plc (NYSE:CLVT)	\$6.8B	12.1x
Vertafore, Inc.	Roper Technologies, Inc. (NYSE:ROP)	\$5.4B	9.1x
OSisoft, LLC	AVEVA Group plc (LSE:AVV)	\$5.0B	10.2x

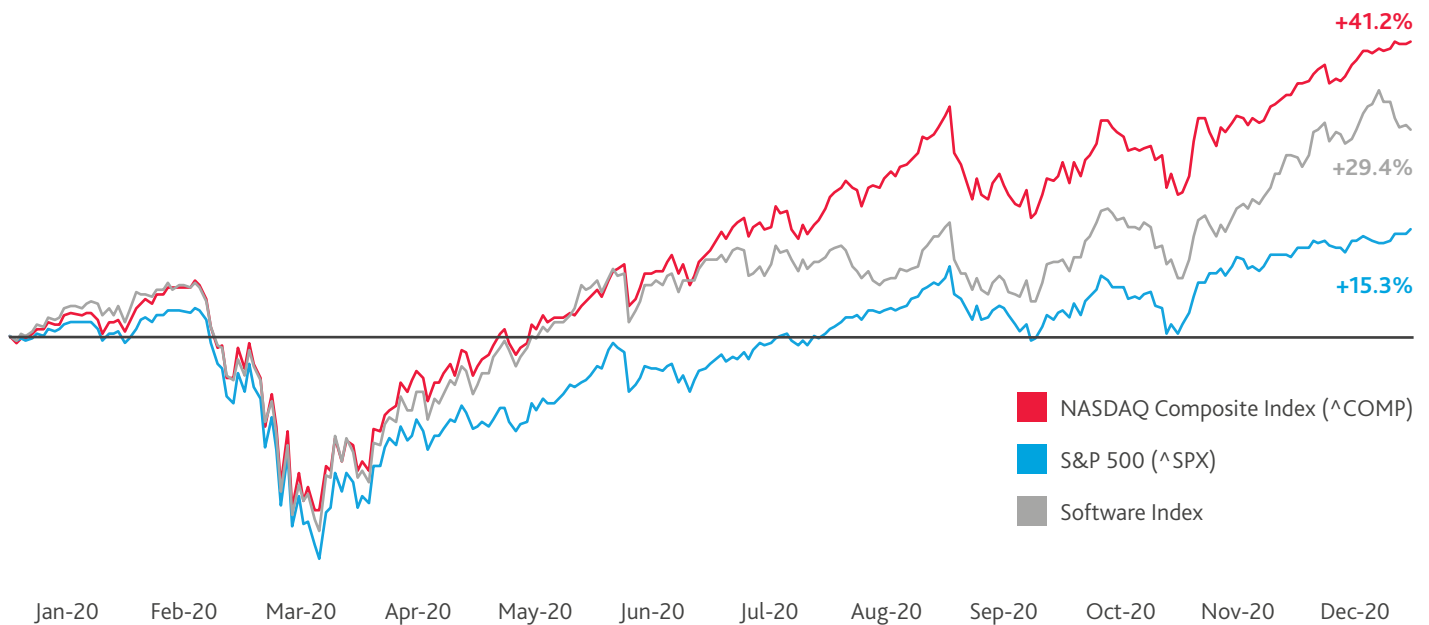
Source: S&P Capital IQ



Software Equity Performance V. S&P 500, NASDAQ

Commentary

- ▶ Software stocks greatly outperformed the rest of the S&P 500 this year, largely due to market conditions stemming from COVID-19.
- ▶ The Software index rose 29.4% compared to 15.3% for the S&P 500 and 41.2% for the NASDAQ in 2020.
- ▶ COVID-19 accelerated the growth of many software stocks, as remote working emphasized the importance of technology for companies.



Note: Software index composition based on public companies within the financial software, CRM, analytics, cybersecurity, human capital, ERP, engineering and infrastructure sub-sectors

Source: S&P Capital IQ

EQUITY TRADING OVERVIEW

Key Trading Statistics for Public Software Companies

Sub-Sector	# of Companies	Median Enterprise Value (\$mm)	Change in Stock Price		2020		2020E	
			3 mos.	12 mos.	EV/ EBITDA	P/E	EV/ EBITDA	P/E
BI and Analytics	15	3,760	6.4%	12.8%	14.7 x	37.9 x	6.6 x	33.4 x
Communications and Collaboration	21	7,448	18.6%	23.9%	16.7 x	24.6 x	12.1 x	14.6 x
CRM and Marketing	21	4,296	17.9%	36.8%	17.9 x	36.4 x	28.1 x	26.5 x
Cyber Security	26	5,262	29.2%	37.9%	10.8 x	31.7 x	9.8 x	16.0 x
Engineering	14	24,624	20.9%	21.7%	31.6 x	35.0 x	30.4 x	36.1 x
ERP and SCM	15	3,615	11.1%	22.1%	23.2 x	35.9 x	20.1 x	30.2 x
Financial and Accounting Software	12	10,195	14.8%	26.4%	10.9 x	22.9 x	22.3 x	25.3 x
Financial Services	14	6,607	12.4%	14.2%	20.1 x	38.0 x	18.9 x	24.2 x
HCM	11	11,109	27.6%	26.0%	20.3 x	30.6 x	20.0 x	26.0 x
Infrastructure	19	11,164	13.6%	20.6%	15.6 x	22.8 x	11.6 x	19.0 x
Vertical Software	23	3,303	11.3%	15.9%	15.3 x	19.1 x	13.0 x	17.9 x

Source: S&P Capital IQ



Notable 2020 Software IPO Listings

Company	Date of Listing	Gross Proceeds (\$mm)	Market Cap at Listing (\$mm)	Latest Market Cap (\$mm)
C3.ai, Inc. (NYSE:AI)	8-Dec	651	4,084	10,779
McAfee Corp. (NasdaqGS:MCFE)	21-Oct	740	8,244	3,338
Palantir Technologies Inc. (NYSE:PLTR)	30-Sep	NA	15,673	41,635
Asana, Inc. (NYSE:ASAN)	30-Sep	NA	4,452	5,512
Bentley Systems, Inc. (NasdaqGS:BSY)	22-Sep	237	5,834	12,047
Unity Software Inc. (NYSE:U)	18-Sep	1,300	18,001	29,441
Sumo Logic, Inc. (NasdaqGS:SUMO)	16-Sep	326	2,389	3,108
JFrog Ltd. (NasdaqGS:FROG)	16-Sep	509	5,745	4,930
Snowflake Inc. (NYSE:SNOW)	15-Sep	3,360	33,688	73,476

Source: S&P Capital IQ





TrueCommerce

Served as exclusive financial advisor to Shannon Systems, Inc. dba B2BGateway, in its sale to TrueCommerce, Inc., a portfolio company of Accel-KKR.

BDO CAPITAL CLOSING

BDO Capital Announces the Sale of B2BGateway to TrueCommerce, a Portfolio Company of Accel-KKR

BDO Capital Advisors, LLC (BDO Capital) is pleased to announce the sale of B2BGateway (the Company) to TrueCommerce, a portfolio company of Accel-KKR, a technology-focused investment firm. BDO Capital served as exclusive financial advisor to B2BGateway on this transaction, which builds on the firm's experience working with founder-owned companies in the technology sector. Valentina Midura, Senior Managing Director, and Patrick Bisceglia, Managing Director, led the engagement for BDO Capital with support from Daniel Singer, Associate.

B2BGateway is a leading global provider of managed cloud service solutions for Electronic Data Interchange (EDI) and API data connectivity to suppliers, manufacturers and retailers. With this acquisition, TrueCommerce, a global provider of trading partner connectivity and integration solutions, further expands its global footprint and extends its growing leadership position in the unified commerce market with new fully managed connectivity options for organizations of all sizes.

"This announcement demonstrates TrueCommerce's continued investment in the accelerated evolution of our global commerce network—both through in-house innovation and smart acquisitions of forward-looking companies like B2BGateway," said Michael Cornell, CEO of TrueCommerce. *"We're excited that B2BGateway is joining us on this journey and will play a significant role in helping us shape the future of unified commerce."*

The acquisition fuels TrueCommerce's global growth with expanded services and integrations with leading business systems, such as Xero, Skubana, Exact and Mamut. Furthermore, the addition of B2BGateway increases TrueCommerce's significant presence in the NetSuite, Acumatica and QuickBooks segments.

B2BGateway's offerings are finely tuned for the needs of small and mid-sized businesses, which is also a key market segment for TrueCommerce. The combined companies will continue to deliver the strong technical expertise and solid infrastructure that allows SMBs to free up their resources to focus on growing their core business.

"We are thrilled to join the TrueCommerce community," said Kevin Hoyle, CEO of B2BGateway. *"We are bringing our proven, agile solutions that will further enhance the vast connectivity infrastructure they have built. TrueCommerce and B2BGateway share the same customer-centric culture and commitment to deliver the highest level of service. I am confident that this new partnership will create incredible opportunities for our team and customers alike."*

"BDO Capital proved to be an outstanding partner throughout the transaction process, especially navigating through these unprecedented times. They brought a unique combination of senior banker involvement, global buyer relationships and M&A process expertise that not only helped us find the right partner for our business but ensured we reached the goal line as expeditiously as possible despite challenging market conditions. I'm thrilled with the outcome and grateful to have had a trusted advisor quarterbacking the deal from start to finish."

-Kevin Hoyle, CEO of B2BGateway



BDO: ONE OF THE MOST ACTIVE ADVISORY NETWORKS IN THE WORLD

Top 15 Most Active Middle-Market Advisor



1,546
Deals in 2020




\$83.5B
Transaction Value



100
Countries

Select Software Experience*




Served as exclusive financial advisor to Compaq Computer Corporation in its acquisition of an equity stake in Octane Software.



Provided financial advisory services to Cascade Human Resources in its sale to Iris Software Group.



Served as financial advisor to Heyde AG in its acquisition of Tantus PLC.



Served as exclusive financial advisor to INNCOM International, Inc. in its sale to Honeywell International Inc. (NYSE:HON).



Served as exclusive financial advisor to Hewlett Packard Company in its acquisition of CEC Europe Service Management Ltd.

*Includes work completed by BDO Capital Advisors professionals as well as BDO International professionals

BDO's global M&A and Transaction Services teams completed 1,546 deals in 2020, generating a combined value of USD \$83.5B. BDO also performed strongly in the 2020 financial advisor league tables:



Number 1 most active global M&A advisor according to PitchBook



Top 15 ranked mid-market M&A advisor globally for deals <\$500M by Refinitiv



10th leading M&A advisor in the European market according to Mergermarket's Global & Regional M&A Report 2020

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- ▶ Company Sales
- ▶ Family Businesses
- ▶ Entrepreneur-Owned Companies
- ▶ Recapitalizations / Private Equity
- ▶ Partial / Minority Sales
- ▶ Corporate Carve-Outs
- ▶ Cross-Border Transactions
- ▶ ESOPs

Board Advisory

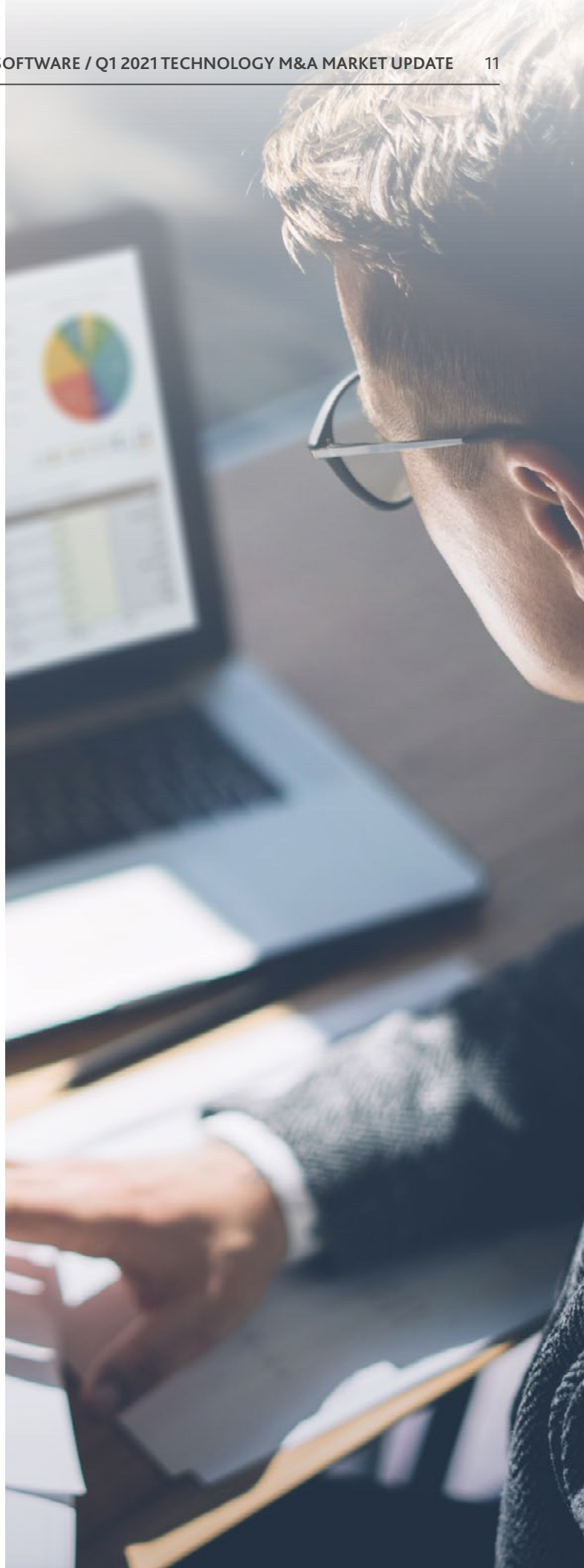
- ▶ Fairness Opinions
- ▶ Strategic Alternative Reviews
- ▶ Special Committee Advisory
- ▶ Share Repurchase Programs
- ▶ IPO Advisory
- ▶ ESOP Formation

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- ▶ Valuation
- ▶ Structuring
- ▶ Negotiation
- ▶ Acquisition Financing
- ▶ Management Buyouts
- ▶ Acquisition Search

Capital Raising

- ▶ Debt
- ▶ Mezzanine
- ▶ Equity



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