

SaaS

Market Update

FEBRUARY 2025



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SaaS | 2025 Market Outlook

SaaS Market Outlook

Looking for bigger, better, and newer capabilities in a bigger and better market...

In 2024, the technology sector experienced a strong year, driven by the surge in artificial intelligence (AI) and the increasing demand for automation. Software as a Service (SaaS) companies with robust annual recurring revenue, high customer retention rates, and scalable solutions, continued to attract significant investor interest.

Heading into 2025, the most attractive SaaS M&A targets will be those providing end-to-end solutions, integrating various parts of service ecosystems, and offering comprehensive lifecycle management capabilities across various industries. These trends align with the broader 2025 M&A outlook, which anticipates increased deal activity driven by favorable regulatory environments, strong capital markets, and the need for companies to adapt and grow through strategic acquisitions.

The strong presence of private equity firms like The Riverside Company, Blackstone, Vista, and KKR in the transactions so far this year aligns with the expected increase in private equity activity in 2025 as firms have largely been sitting on the sidelines for the past several years and have a significant amount of capital to deploy. The trend is especially highlighted by the acquisition of Smartsheet by a consortium including Blackstone, Vista, and Abu Dhabi Investment Authority which represents a trend of take-private transactions, expected to continue this year as well.

The Databricks' acquisition of Bladebridge and Paychex's acquisition of Paycor suggest that companies are pursuing growth through M&A, alongside PE firms who already spent 20% of their total buyout value in 2024 within the tech vertical – trends that are expected to continue throughout the remainder of the year.

Trends Heading Into 2025



Acquisition of AI and Data Analytics Technologies

Major players in technology are increasingly acquiring smaller AI companies to boost their capabilities and incorporate improved data analytics. For example, the acquisitions of Bladebridge by Databricks and Carbon6 Technologies by SPS Commerce indicate a heightened focus on AI and data analytics capabilities, which is expected to be a key driver of M&A activity in 2025.



Comprehensive Service Integration in Cybersecurity

Many of the SaaS acquisitions so far in 2025 focus on enhancing cybersecurity capabilities, particularly in cloud infrastructure, AI-driven solutions, and automation tools. Acquisitions such as that of Secureworks by Sophos suggests ongoing consolidation in the cybersecurity sector, with organizations seeking to enhance their portfolio of security offerings and become more scalable to protect diverse IT assets.



Market Positioning through Expansion

Companies are leveraging acquisitions to expand their product portfolios, geographic footprint, strengthen their market positions, and target new customer segments. Transactions like Aptean acquiring Logility demonstrate the trend of companies expanding their product portfolios across different sectors within the broader technology industry.

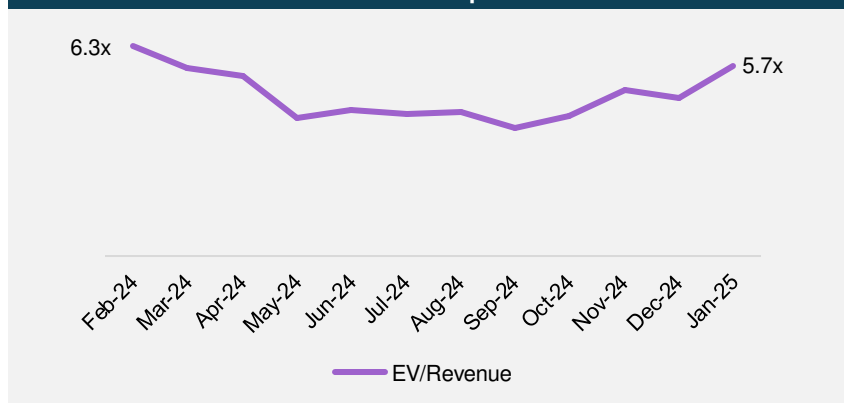


Macro Uncertainties Persist

Despite stabilizing interest rates, the election in the rearview and low unemployment, challenges remain for 2025. While the new administration may look upon dealmaking more favorably, it is still unclear how cabinet choices, reshaping of governmental agencies and other geopolitical issues will impact the overall M&A environment.

Recent M&A Market Snapshot

SaaS Median Multiple Index^{1,2}



EV/Revenue Multiples On the Rise and Expected to Continue

- Following a dip in late Q3 2024, EV/Revenue multiples steadily increased heading into 2025
- Following a trough in May-24, the median EV/Revenue multiple remained stable at ~4x for a period of time before starting to climb back up to 5.7x in Jan-25
- Trends indicate that the market is headed back to its recent peak recorded in February 2004, validated by the 100 basis points of rate cuts already in place and more anticipated. Further, private equity dealmakers are eyeing improved financing conditions, stronger portfolio company cash flows and a narrowing bid-ask spread, setting the stage for a more robust M&A rebound in 2025

Select SaaS Transactions

Date	Subsector	Target	Acquirer	EV (\$M)
02/12/25	Edtech	Wall Street Prep	Riverside	Undisclosed
02/05/25	Data Analytics	BladeBridge	databricks	Undisclosed
02/03/25	Cybersecurity	Secureworks	SOPHOS	\$859
01/24/25	Enterprise Tech	logility	aptean	\$490
01/22/25	Collaboration	smartsheet	Blackstone ADIA VISTA	\$8,400
01/15/25	Cybersecurity	YDENTIC	AvePoint	Undisclosed
01/13/25	Fintech	enfusion	CLEARWATER ANALYTICS	\$1,500
01/07/25	Enterprise Tech	Paycor	PAYCHEX	\$4,100
01/02/25	Enterprise Tech	CARBON 6	SPS COMMERCE	\$210
01/02/25	Enterprise Tech	XOI	KKR	\$230



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Contact Us

Please reach out to us to schedule a call to discuss this month's market update or to explore how we can serve your business needs.

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