



# Technology Industry

## Software & Services Trading and Financial Trends

### INDUSTRY UPDATE

Q2 2023

Application Software

Data Processing and Services

Internet and Infrastructure

IT Consulting

Systems Software





# TECHNOLOGY MARKETS OVERVIEW

## INTRODUCTION

Tech markets improved during the quarter, with large cap benefiting slightly more compared to the middle market. The Stout Software & Services Index (“Stout Index”) had a median enterprise value to trailing 12-month (TTM) revenue valuation multiple of **3.4x** on June 30, 2023, an increase from **3.2x** at the end of last quarter. The S&P 500 Information Technology Index (S&P 500 IT) median Enterprise Value to TTM revenue valuation multiple moved up to **5.4x** in Q2 from **5.1x** in the previous quarter.

The divergence between large-cap and mid-cap tech valuations has remained in 2023 after large cap outperformed mid cap during the broader selloff in 2022. The Stout Index peak valuation multiple was **7.6x** in October 2021, when it exceeded the S&P 500 IT of **6.7x** of 2021. We believe a decrease in strategic M&A and a preference for larger deals by private equity are factors weighing on middle-market tech valuations this year compared to large cap, despite generally improving markets overall. Additionally, we see a slowing revenue growth trend for the Stout Index, with the median TTM revenue growth rate for companies at **9%** in Q2, down from **12%** in Q1 and **13%** at the end of 2022.

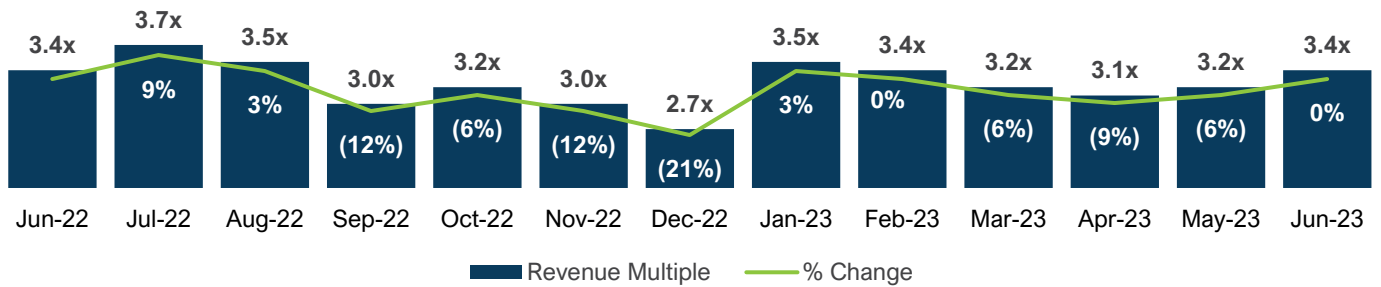
Deal flow across software and IT services was down in Q2 2023 compared to last year’s second quarter according to Pitchbook. Strategic M&A deal count in Q2 2023 was **352** with a volume of **\$43 billion** compared to **524** deals and a volume of **\$131 billion** in Q2 2022. Private equity deal count in Q2 2023 was **185** with a volume of **\$33 billion** compared to **276** deals and a volume of **\$24 billion** in Q2 2022. We believe the increase in total volume of private equity deals despite a decline in total number of deals indicates that while private equity remains active in the market, there is a preference currently for larger and higher-quality deals.

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:

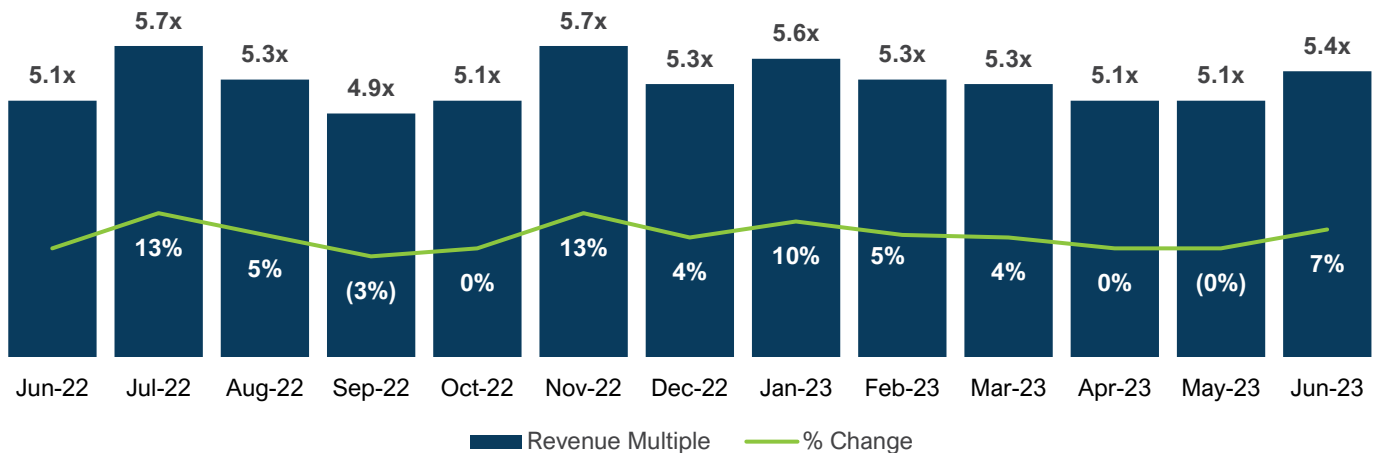
- Duck Creek Technologies was acquired by Vista Equity at the end of March (8.4x revenue)
- MoneyGram Intl. was acquired by Madison Dearborn in June (1.3x revenue)
- Momentive Global was acquired by Symphony Technology Group in May (1.5x revenue)
- Sumo Logic was acquired by Francisco Partners in May (5.7x revenue)

## MEDIAN ENTERPRISE VALUE / REVENUE MULTIPLES FOR THE TRAILING 12 MONTHS

### STOUT SOFTWARE & SERVICES INDEX



### S&P 500 INFORMATION TECHNOLOGY



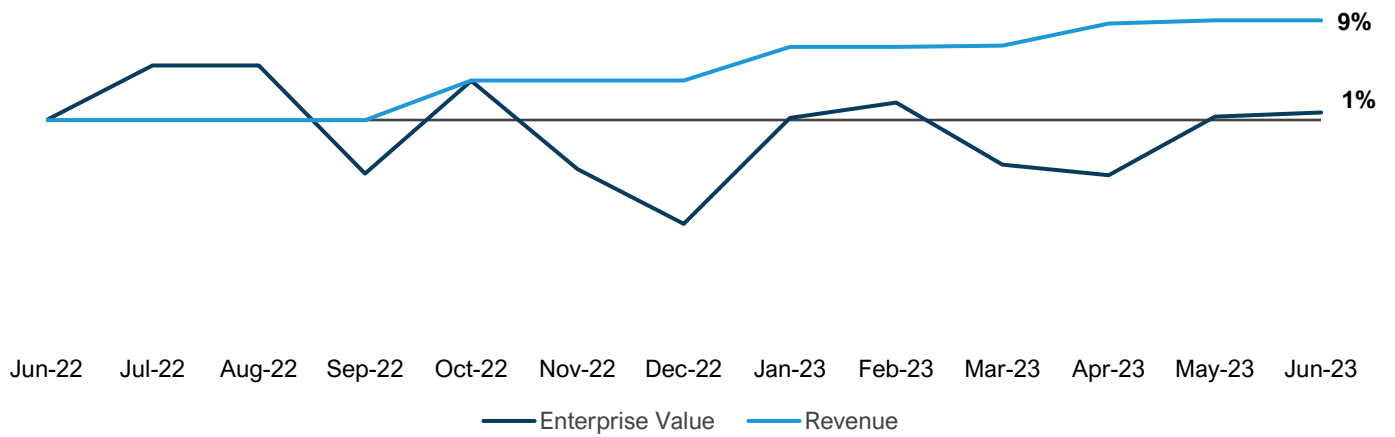
Source: CapitalIQ



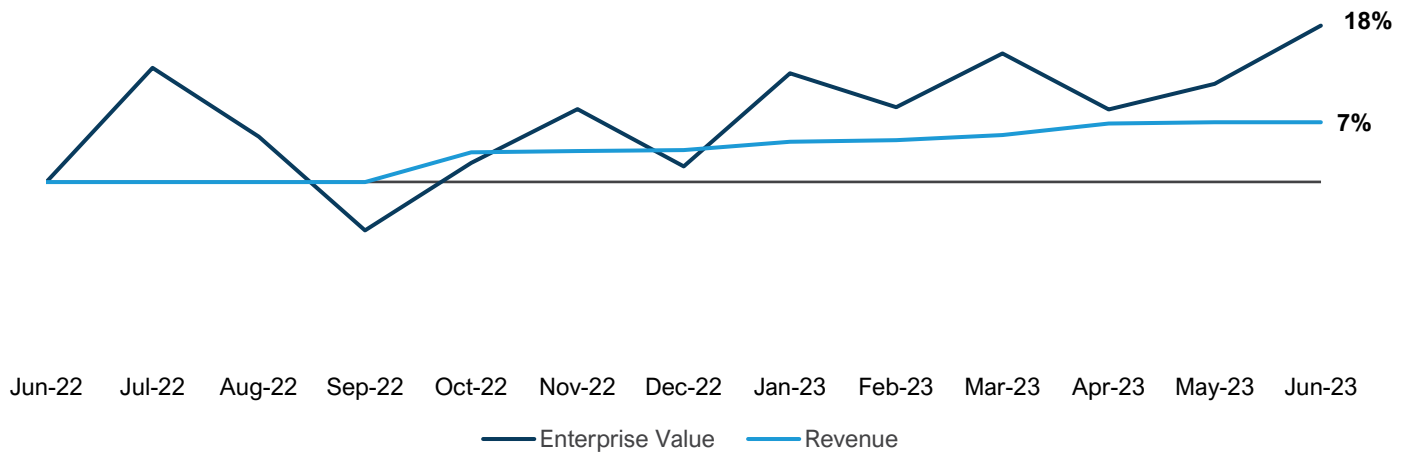


## MEDIAN ENTERPRISE VALUE & REVENUE PERCENT CHANGE FOR THE TRAILING 12 MONTHS

### STOUT SOFTWARE & SERVICES INDEX



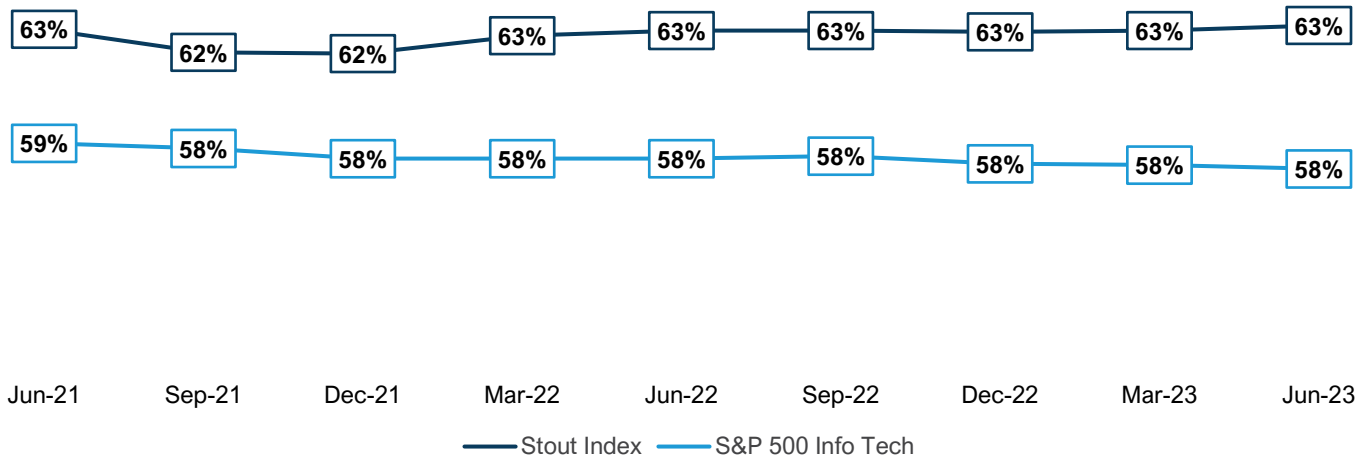
### S&P 500 INFORMATION TECHNOLOGY



Source: CapitalIQ

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

### MEDIAN GROSS MARGIN BY QUARTER

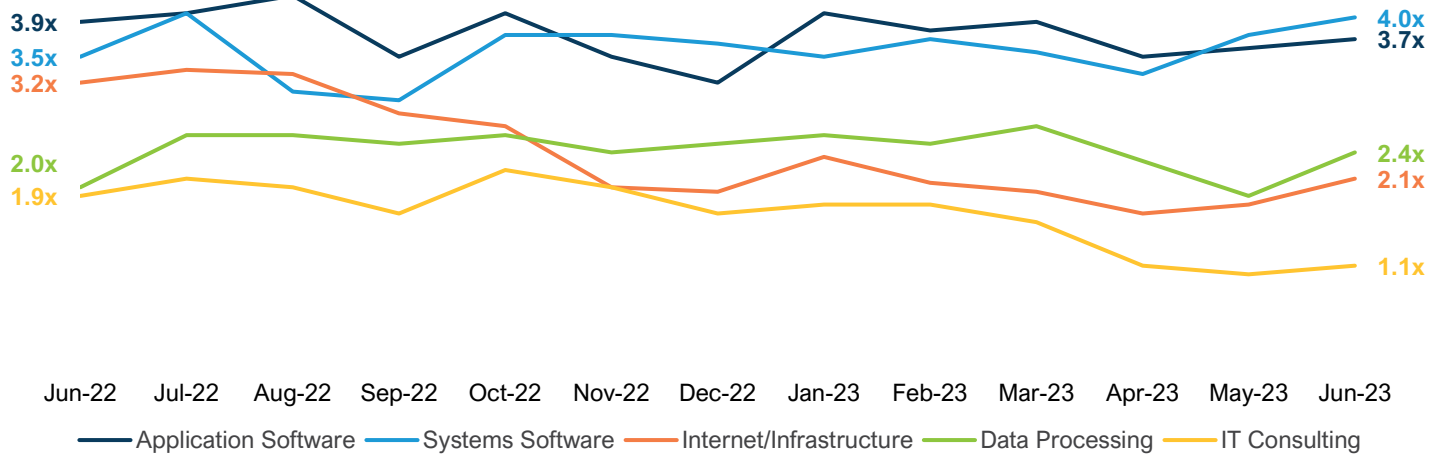


Companies in hardware, software, and IT services are included in the S&P 500 Information Technology sector, which may explain some of the difference in median gross margin for this sector compared to the Stout Index, which excludes companies that are primarily classified as hardware. In September 2018, 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.

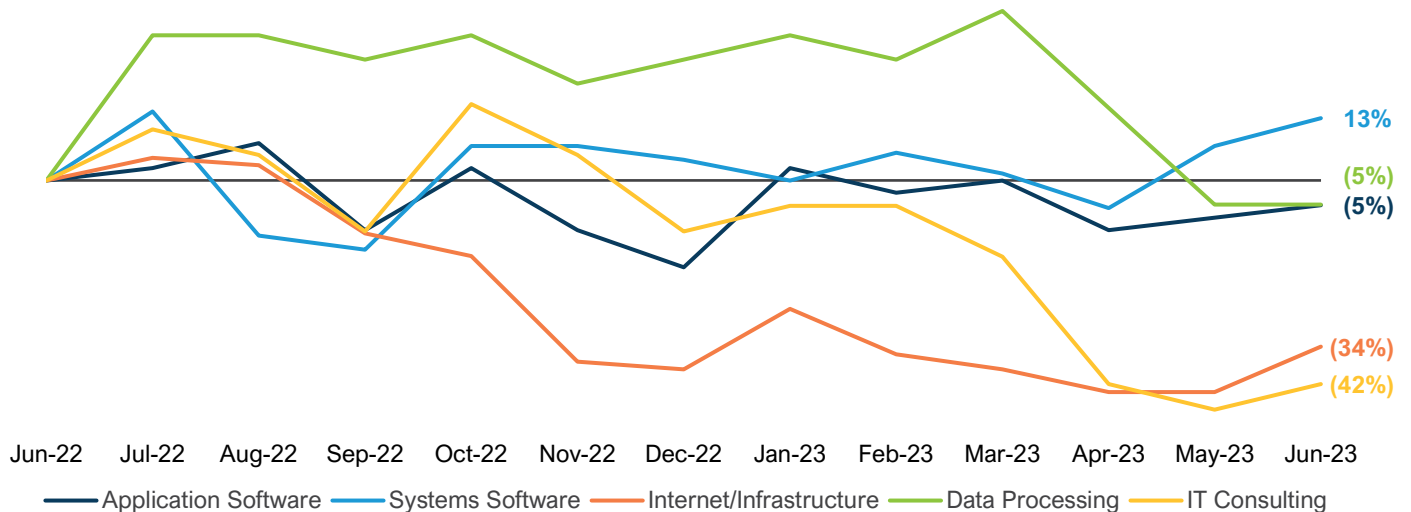


## STOUT SOFTWARE & SERVICES INDEX

### REVENUE MULTIPLES BY SEGMENT TRAILING 12 MONTHS



### PERCENT CHANGE IN REVENUE MULTIPLES BY SEGMENT TRAILING 12 MONTHS



Source: CapitalIQ

# Stout Software & Services Index

## Q2 2023 LIST

Company Name	Segment	EV/Revenue	EV	Gross Margin
Marathon Digital Holdings, Inc. (NasdaqCM:MARA)	Application Software	25.3x	2,965	20%
Altium Limited (ASX:ALU)	Application Software	13.0x	3,098	53%
C3.ai, Inc. (NYSE:AI)	Application Software	12.9x	3,439	68%
Flywire Corporation (NasdaqGS:FLYW)	Data Processing	9.8x	3,115	63%
Clearwater Analytics Holdings, Inc. (NYSE:CWAN)	Application Software	9.6x	3,035	71%
Sprout Social, Inc. (NasdaqCM:SPT)	Application Software	8.8x	2,391	77%
Intapp, Inc. (NasdaqGS:INTA)	Application Software	8.4x	2,788	68%
Agilysys, Inc. (NasdaqGS:AGYS)	Application Software	8.3x	1,651	61%
JFrog Ltd. (NasdaqGS:FROG)	Systems Software	8.1x	2,400	77%
Appgate, Inc. (OTCPK:APGT)	Systems Software	7.8x	336	59%
Riot Blockchain, Inc. (NasdaqCM:RIOT)	Application Software	7.8x	1,970	16%
N-able, Inc. (NYSE:NABL)	Systems Software	7.6x	2,899	85%
MeridianLink, Inc. (NYSE:MLNK)	Application Software	6.9x	2,028	68%
ForgeRock, Inc. (NYSE:FORG)	Application Software	6.6x	1,533	82%
Alkami Technology, Inc. (NasdaqGS:ALKT)	Application Software	6.6x	1,440	53%
Boku, Inc. (AIM:BOKU)	Data Processing	6.1x	418	97%
Vertex, Inc. (NasdaqGM:VERX)	Application Software	5.8x	2,948	61%
Model N, Inc. (NYSE:MODN)	Application Software	5.8x	1,370	56%
PROS Holdings, Inc. (NYSE:PRO)	Application Software	5.5x	1,549	60%
Verra Mobility Corporation (NasdaqCM:VRRM)	Data Processing	5.4x	4,090	63%
AvidXchange Holdings, Inc. (NasdaqGS:AVDX)	Data Processing	5.4x	1,808	64%
Jamf Holding Corp. (NasdaqGS:JAMF)	Application Software	5.2x	2,612	80%

Source: CapitalIQ

# Stout Software & Services Index

## Q2 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
Squarespace, Inc. (NYSE:SQSP)	Internet Services and Infrastructure	5.2x	4,646	82%
Varonis Systems, Inc. (NasdaqGS:VRNS)	Systems Software	5.1x	2,483	86%
Progress Software Corporation (NasdaqGS:PRGS)	Systems Software	4.9x	3,204	87%
PagerDuty, Inc. (NYSE:PD)	Application Software	4.8x	1,879	82%
Fastly, Inc. (NYSE:FSLY)	Internet Services and Infrastructure	4.8x	2,154	50%
Sprinklr, Inc. (NYSE:CXM)	Application Software	4.8x	3,114	75%
Weave Communications, Inc. (NYSE:WEAV)	Application Software	4.7x	701	65%
E2open Parent Holdings, Inc. (NYSE:ETWO)	Application Software	4.5x	2,905	66%
Cerence Inc. (NasdaqGS:CRNC)	Application Software	4.5x	1,351	67%
Remitly Global, Inc. (NasdaqGS:RELY)	Data Processing	4.3x	3,122	51%
Semrush Holdings, Inc. (NYSE:SEMR)	Application Software	4.2x	1,138	82%
EVERTEC, Inc. (NYSE:EVTC)	Data Processing	4.2x	2,648	52%
EverCommerce Inc. (NasdaqGS:EVCN)	Application Software	4.2x	2,691	65%
Xperi Holding Corporation (NasdaqGS:XPER)	Systems Software	4.2x	1,742	100%
InterDigital, Inc. (NasdaqGS:IDCC)	Application Software	4.0x	2,245	86%
Amplitude, Inc. (NasdaqCM:AMPL)	Application Software	3.9x	989	71%
SolarWinds Corporation (NYSE:SWI)	Internet Services and Infrastructure	3.9x	2,815	91%
Life360, Inc. (ASX:360)	Application Software	3.9x	974	67%
Repay Holdings Corporation (NasdaqCM:RPAY)	Data Processing	3.8x	1,077	77%
Mitek Systems, Inc. (NasdaqCM:MITK)	Application Software	3.7x	528	86%
Commvault Systems, Inc. (NasdaqGS:CVLT)	Systems Software	3.7x	2,918	83%
AvePoint, Inc. (NasdaqGS:AVPT)	Application Software	3.7x	884	72%

Source: CapitalIQ



# Stout Software & Services Index

## Q2 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
Consensus Cloud Solutions, Inc. (NasdaqGS:CCSI)	Application Software	3.6x	1,309	82%
Expensify, Inc. (NasdaqGS:EXFY)	Application Software	3.6x	617	62%
Couchbase, Inc. (NasdaqGS:BASE)	Application Software	3.6x	578	87%
Q2 Holdings, Inc. (NYSE:QTWO)	Application Software	3.6x	2,076	46%
Clear Secure, Inc. (NYSE:YOU)	Application Software	3.5x	1,698	63%
A10 Networks, Inc. (NYSE:ATEN)	Systems Software	3.5x	955	80%
BigBear.ai Holdings, Inc. (NYSE:BBAI)	IT Consulting	3.4x	539	27%
Zuora, Inc. (NYSE:ZUO)	Systems Software	3.4x	1,371	62%
ShotSpotter, Inc. (NasdaqCM:SSTI)	Application Software	3.3x	265	56%
Olo Inc. (NYSE:OLO)	Application Software	3.3x	643	68%
Matterport, Inc. (NasdaqGM:MTTR)	Application Software	3.3x	477	39%
Everbridge, Inc. (NasdaqGM:EVBG)	Application Software	3.2x	1,393	70%
Verint Systems Inc. (NasdaqGS:VRNT)	Application Software	3.2x	2,885	70%
Yext, Inc. (NYSE:YEXT)	Application Software	3.2x	1,301	75%
Zeta Global Holdings Corp. (NYSE:ZETA)	Application Software	3.0x	1,889	63%
Cyxtera Technologies, Inc. (NasdaqGS:CYXT)	Internet Services and Infrastructure	3.0x	2,298	62%
i3 Verticals, Inc. (NasdaqGS:IIIV)	Data Processing	2.9x	1,017	77%
BigCommerce Holdings, Inc. (NasdaqGM:BIGC)	Internet Services and Infrastructure	2.8x	810	75%
Shift4 Payments, Inc. (NYSE:FOUR)	Data Processing	2.4x	5,191	25%
Cantaloupe, Inc. (NasdaqGS:CTLP)	Data Processing	2.4x	577	31%
LiveRamp Holdings, Inc. (NYSE:RAMP)	Application Software	2.4x	1,446	72%
The Hackett Group, Inc. (NasdaqGS:HCKT)	IT Consulting	2.3x	651	40%

Source: CapitalIQ

# Stout Software & Services Index

## Q2 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
CS Disco, Inc. (NYSE:LAW)	Application Software	2.3x	313	75%
OneSpan Inc. (NasdaqCM:OSPN)	Systems Software	2.2x	497	67%
American Software, Inc. (NasdaqGS:AMSW.A)	Application Software	1.9x	240	60%
Digital Turbine, Inc. (NasdaqCM:APPS)	Application Software	1.9x	1,275	48%
Sabre Corporation (NasdaqGS:SABR)	Data Processing	1.9x	5,120	58%
KLDiscovery Inc. (OTCPK:KLDI)	Application Software	1.9x	617	50%
Payoneer Global Inc. (NasdaqGM:PAYO)	Data Processing	1.8x	1,218	84%
Cass Information Systems, Inc. (NasdaqGS:CASS)	Data Processing	1.7x	331	43%
CSG Systems International, Inc. (NasdaqGS:CSGS)	Data Processing	1.7x	1,941	48%
Axway Software SA (ENXTPA:AXW)	Application Software	1.7x	590	20%
International Money Express, Inc. (NasdaqCM:IMXI)	Data Processing	1.6x	934	33%
Priority Technology Holdings, Inc. (NasdaqCM:PRTH)	Data Processing	1.6x	1,096	34%
Upland Software, Inc. (NasdaqGM:UPLD)	Application Software	1.6x	494	67%
Kaltura, Inc. (NasdaqGS:KLTR)	Application Software	1.6x	269	63%
Grid Dynamics Holdings, Inc. (NasdaqCM:GDYN)	IT Consulting	1.4x	443	38%
LivePerson, Inc. (NasdaqGS:LPSN)	Application Software	1.4x	690	64%
Rackspace Technology, Inc. (NasdaqGS:RXT)	Internet Services and Infrastructure	1.4x	4,315	26%
TaskUs, Inc. (NasdaqGS:TASK)	Data Processing	1.3x	1,243	42%
Ebix, Inc. (NasdaqGS:EBIX)	Application Software	1.3x	1,353	34%
SecureWorks Corp. (NasdaqGS:SCWX)	Systems Software	1.2x	539	58%
8x8, Inc. (NYSE:EGHT)	Application Software	1.2x	924	68%
Information Services Group, Inc. (NasdaqGM:III)	IT Consulting	1.1x	319	40%

Source: CapitalIQ

# Stout Software & Services Index

## Q2 2023 LIST (CONT.)

Company Name	Segment	EV/Revenue	EV	Gross Margin
Blend Labs, Inc. (NYSE:BLND)	Application Software	1.0x	198	38%
Cerberus Cyber Sentinel (NasdaqCM:CISO)	IT Consulting	0.9x	44	6%
Brightcove Inc. (NasdaqGS:BCOV)	Internet Services and Infrastructure	0.9x	183	62%
WM Technology, Inc. (NasdaqGS:MAPS)	Application Software	0.9x	189	93%
Rimini Street, Inc. (NasdaqGM:RMNI)	Application Software	0.9x	377	63%
IBEX Limited (NasdaqGM:IBEX)	Data Processing	0.8x	428	31%
AgileThought, Inc. (NasdaqCM:AGIL)	IT Consulting	0.7x	124	33%
Edgio, Inc. (NasdaqGS:EGIO)	Internet Services and Infrastructure	0.7x	233	40%
Core Scientific, Inc. (NasdaqGS:CORZ)	Internet Services and Infrastructure	0.5x	310	(7%)
Conduent Incorporated (NasdaqGS:CNDT)	Data Processing	0.5x	1,887	22%
Telos Corporation (NasdaqGM:TLS)	Systems Software	0.4x	78	37%
Unisys Corporation (NYSE:UIS)	IT Consulting	0.2x	449	31%
Tingo, Inc. (OTCPK:TMNA)	Internet Services and Infrastructure	0.1x	95	96%

Source: CapitalIQ

# 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

Stout's Investment Banking group provides mergers and acquisitions (M&A) advisory, capital market financing, and other financial advisory services to portfolio companies of private equity firms, closely held or family-owned businesses, and divisions of large corporate parents. Learn more about our [\*\*Investment Banking services\*\*](#).

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