



North American Software & Technology

Quarterly Market Report

Q1-2023

*All dollar values in this report are USD, except where noted CAD.



Q1-2023 M&A Highlights

Q1-2023 Macro Highlights



Collapse of Silicon Valley Bank (SVB)

- On March 8th, Silicon Valley Bank, a bank specialized in working with tech start-ups, sold \$21B worth of bonds at a \$1.8B loss. The bank also announced that it was conducting a ~\$1.3B equity raise via a stock sale.
- Their efforts ultimately failed and VCs began to instruct their portfolio companies to withdraw their deposits from SVB, leading to a run on the bank.
- Two days later, SVB was shutdown by the FDIC, with the Federal Reserve eventually stepping in to guarantee all deposits.
- The contagion eventually caused runs on a number of other banks, including New York's Signature Bank.
- SVB's failure sent shockwaves through the VC and financial world.



Interest Rates

- The Federal Reserve has raised interest rates twice so far in 2023. In late January, the Fed increased its policy rate by 25 bps to a range of 4.5% to 4.75%. In late March, the Fed increased rates a further 25 bps to a range of 4.75% to 5.0%.
- Meanwhile, despite the Bank of Canada following suit in January by increasing their target rate from 4.25% to 4.5%, it has not increased rates since.
- The Fed had reportedly planned a full 50 bps rate hike in March, but eventually settled on a smaller increase due to a series of bank failures that rocked the global economy.
- Experts predict that the Fed will likely hold rates stable until the fall, at which point a rate cut is expected.











Recessionary Concerns

- Labour markets in Canada and the US remained strong in January. However, experts predict that, as interest rates start to have their intended impact, unemployment will rise. Job growth in both Canada and the US begun to slow in the latter parts of Q1.
- Consumer demand, while still high in the early months of the year, is expected to decrease throughout 2023. Mortgage holders will begin to feel the brunt of interest rates later this year, which will tie up household income in debt repayment and contribute to lower levels of consumer spending.
- Due to a variety of factors, experts still predict a recession for 2023. While central banks may not be able to engineer the soft landing first expected by many, the forthcoming recession will likely be mild in comparison to past downturns.

Q1-2023 M&A Highlights

Notable M&A Transactions

TARGET				
ACQUIRER				
DETAILS	<ul style="list-style-type: none"> Qualtrics is a Utah-based enterprise software company that provides a platform purpose-built to help organizations collect feedback and data. Transaction value: \$12.5B EV/ Revenue: 8.6x EV/ EBITDA: NM 	<ul style="list-style-type: none"> Based in California, Coupa Software is a cloud-based provider of business spending management solutions. Transaction value: \$8.0B EV/ Revenue: 8.9x EV/ EBITDA: NM 	<ul style="list-style-type: none"> Based in Texas, Signify Health is a company that leverages analytics and nationwide healthcare networks to power value-based payment programs. Transaction value: \$4.6B EV/ Revenue: 7.3x EV/ EBITDA: 90.1x 	<ul style="list-style-type: none"> Better is a New York-based developer of a home ownership and mortgage platform. Transaction value: \$3.1B EV/ Revenue: 2.6x EV/ EBITDA: 14.5x

Source: PitchBook; *NM: Not meaningful

\$111.4B

Capital invested in Q1-2023

1,120









Transactions in Q1-2023

4.6x

Median EV / Revenue

Q1-2023 M&A Highlights

Notable Canadian M&A Transactions

TARGET	 SIERRA WIRELESS®	 GaN Systems	 Luminet	 SEB Smart Employee Benefits Inc.
ACQUIRER	 SEMTECH®	 Infineon	 ited	 co-operators
DETAILS	<ul style="list-style-type: none"> Sierra Wireless is a BC-based provider of wireless communication and IoT solutions. Transaction value: \$1.2B EV/ Revenue: 1.7x EV/ EBITDA: 590.0x 	<ul style="list-style-type: none"> Based in Ontario, GaN Systems is manufacturer of gallium nitride power semiconductors and transistors. Transaction value: \$830.0M Undisclosed valuation multiples 	<ul style="list-style-type: none"> Luminet Solutions is a Quebec-based provider of telecommunications services including network, cabling, and VoIP solutions. Transaction value: \$251.6M EV/ Revenue: 148.6x EV/ EBITDA: NM 	<ul style="list-style-type: none"> Smart Employee Benefits is an Ontario-based company that provides IT and benefits processing software and services. Transaction value: \$66.2M EV/ Revenue: 1.3x EV/ EBITDA: NM

Source: PitchBook; *NM: Not meaningful



\$3.2_B

Capital invested in Q1-2023



105

Transactions in Q1-2023



4.3x

Median EV / Revenue

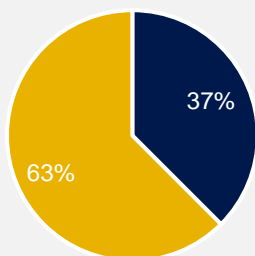
Top Technology Transactions in Q1

Date	Target	Acquirer	EV	EV/Revenue	Sector
03-12-2023	 qualtrics ^{XM}	 SILVERLAKE CPP Investments	\$12.5B	8.6x	Database Software
02-27-2023	 coupa	 ADIA  GENERAL ATLANTIC  THOMABRAVO	\$8.0B	9.8x	Enterprise Software
03-29-2023	 signifyhealth.	 CVS Health	\$8.0B	9.9x	Healthcare Technology
03-09-2023	 Better	 AURORA ACQUISITION CORP.	\$5.0B	NM	FinTech
03-14-2023	 cvent	 ADIA  Blackstone  VISTA	\$4.6B	7.3x	Enterprise Software
02-01-2023	 KnowBe4 Human error. Conquered.	 VISTA	\$4.6B	14.8x	EdTech
03-24-2023	 Evo	 globalpayments	\$4.0B	7.4x	Payment Technology
02-22-2023	 one medical	 amazon	\$3.9B	3.7x	Healthcare Technology
02-09-2023	 NUVASIVE [®] Creative Spine Technology [®]	 GLOBUS MEDICAL	\$3.1B	2.6x	Surgical Technology
03-10-2023	 .vivint	 nrg	\$2.8B	1.7x	Internet of Things

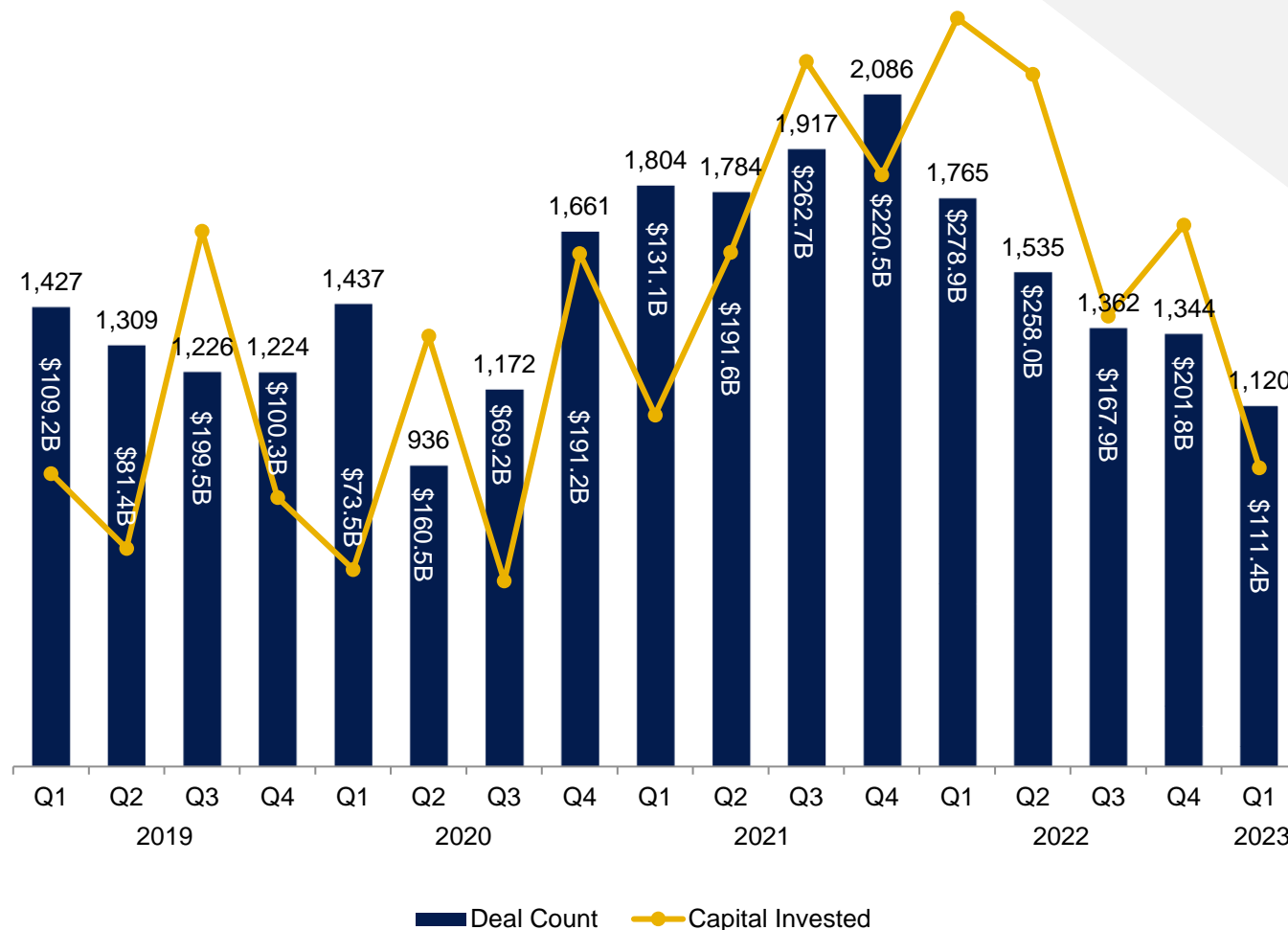
Q1-2023 M&A Deal Activity

- The technology sector saw a total of 1,120 M&A deals and \$111.4B in capital invested throughout Q1, continuing the downtrend from the \$201.8B invested in Q4-2022 (~45% decrease).
- Similarly, the volume of deals in Q1 also dropped from Q4-2022's figure of 1,344 (~17% decrease).
- 37% of all deals in Q1 were private equity-backed. This demonstrates that the abundant dry power in the hands of financial sponsors will continue to lead a competitive deal environment for high-quality technology assets despite economic conditions.

Deal Count by Buyer Type



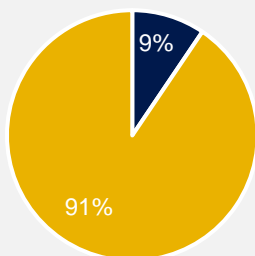
■ Financial ■ Strategic



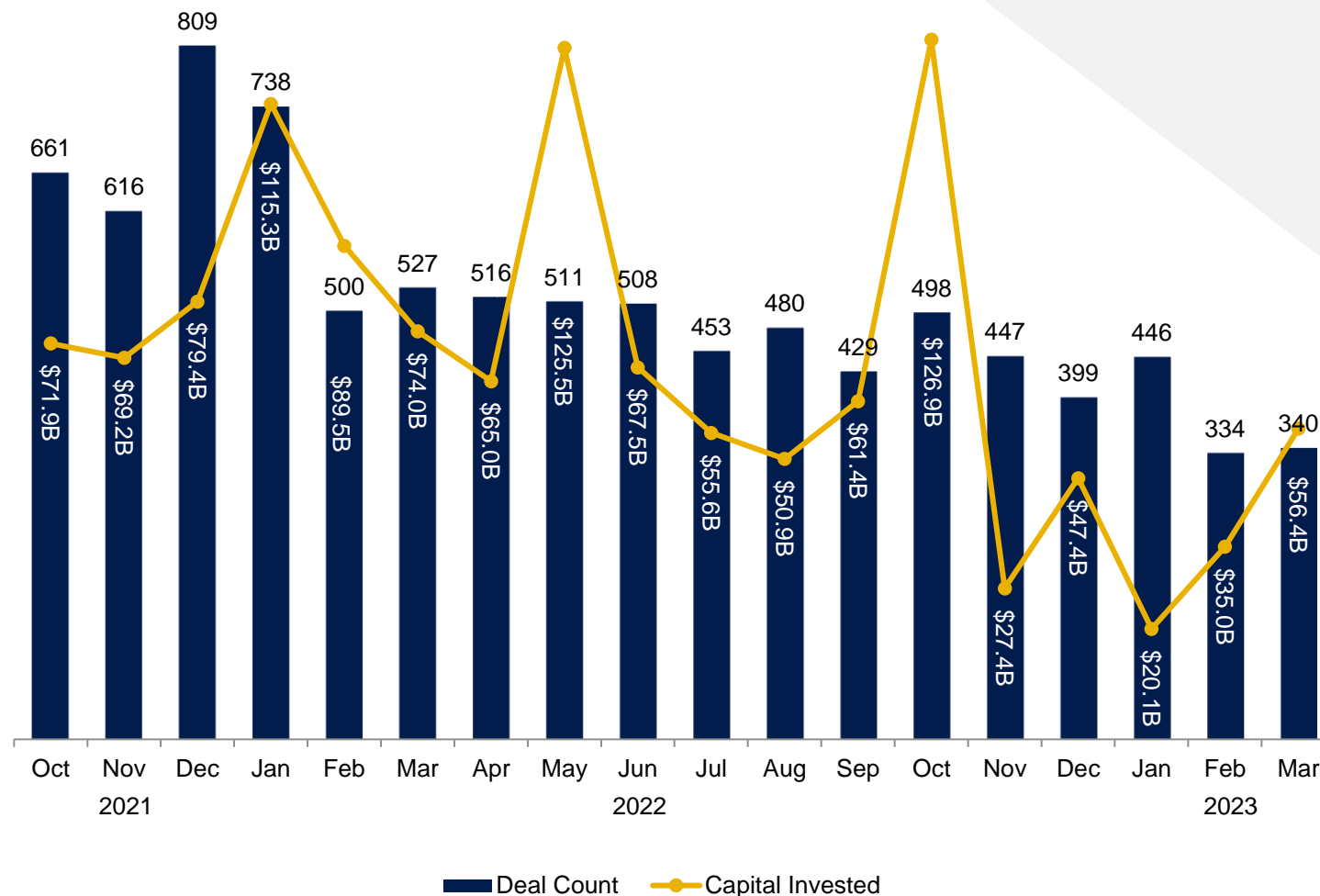
Monthly M&A Deal Activity

- M&A deal flow saw only a slight increase in March 2023 from the levels observed in February. However, M&A activity has dropped sharply when compared to March 2022, with March 2023 seeing ~35% less deals.
- Capital invested in March 2023 was \$56.4B, representing a ~61% increase from February 2023 and a ~13% decrease from March 2022.
- Despite the continued turbulent state of the macroeconomy, M&A activity continued to rise MoM in March, attributable to a slowdown in inflation and the favorable interest rate outlook.

Deal Count by Country

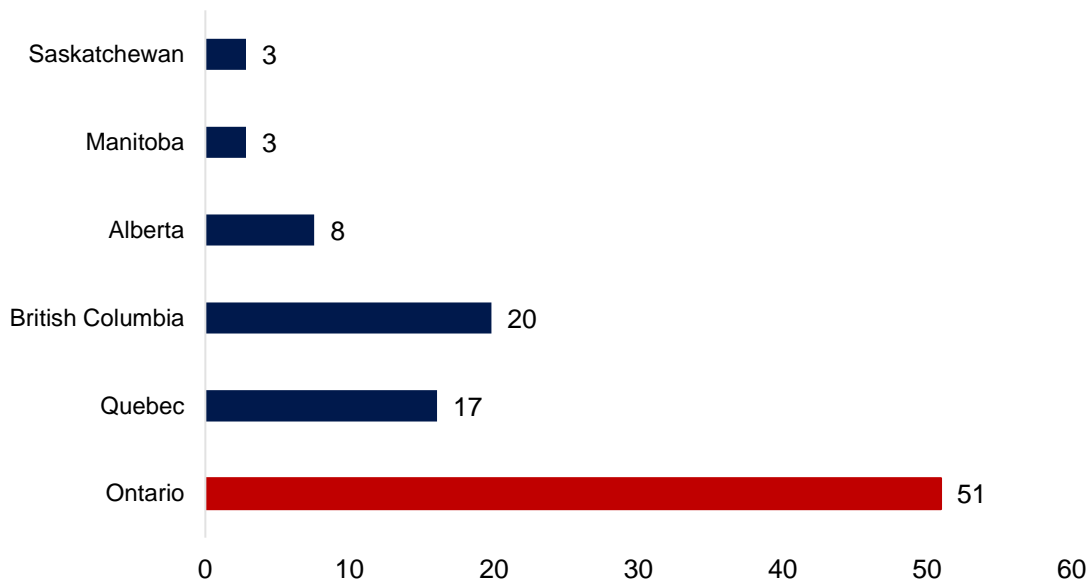


■ Canada ■ US

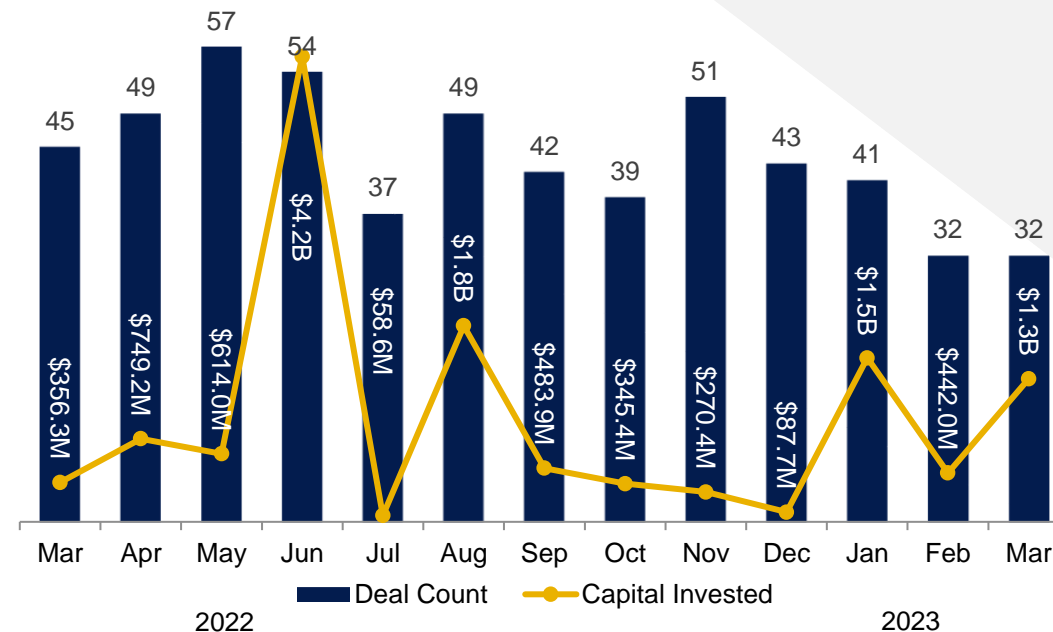


Q1-2023 M&A Deal Volume - Canada

M&A Deal Count by Province



M&A Deal Count vs Capital Invested

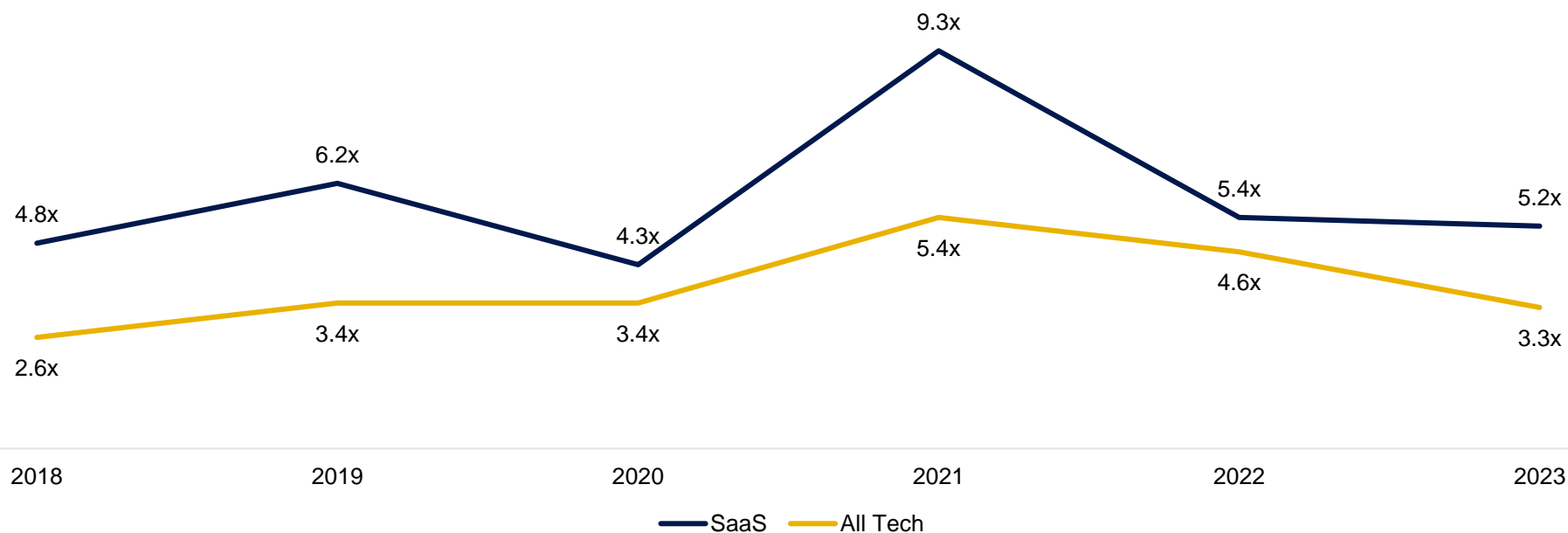


- Ontario saw strong deal flow throughout Q1, reaching a total of 51 deals this quarter – significantly more than the combined deal flow of all other provinces.
- Ontario represented approximately 50% of all Canadian deal flow in Q1-2023.

- Both deal count and capital invested in Canada for March has been in line with the nation's activity YTD, with 32 deals and \$1.3B in total transaction value.
- That said, March 2023 witnessed a ~29% decline in deal volume relative to March 2022, despite the capital invested rising due to a few large deals.

Median SaaS vs All-Tech Revenue Multiples

- Median SaaS revenue multiples have dropped by a magnitude of 0.2x so far in 2023.
- Median revenue multiples throughout the broader technology industry, on the other hand, have continued to drop from 2022, with companies transacting at a median 3.3x revenue.
- Despite the shifting priorities of some strategic acquirers, who have changed their focus away from M&A initiatives to shoring up their balance sheets and protecting their bottom line, there continues to be significant dry powder sitting on the sidelines, with well-capitalized private equity and strategic buyers still having a need to deploy capital.
- As a result, valuations have remained relatively strong despite continued macroeconomic headwinds.
- IYW anticipates that the mid-market technology sector will continue to be active as acquirers, both strategic and financial, look to optimize their portfolios. Financial buyers will likely continue to focus on add-on acquisitions as earnings growth will be one of the primary drivers of returns for private equity buyers rather than multiple expansion in the coming quarters.













IJW & Co.

Q1-2023 Capital Raise Highlights

Q1-2023 Capital Raise Highlights

Notable North American Growth Equity Transactions

INVESTEE				
LEAD INVESTOR				
DETAILS	<ul style="list-style-type: none"> ShiftKey is a Dallas-based company that provides scheduling and credential management solutions for the healthcare sector. Transaction value: \$300.0M 	<ul style="list-style-type: none"> Element 8 is a Fort Worth-based provider of high speed broadband internet to rural and tertiary markets. Transaction value: \$200.0M 	<ul style="list-style-type: none"> Based in Minneapolis, Gravie provides a health insurance marketplace for employers and consumers. Transaction value: \$179.0M 	<ul style="list-style-type: none"> Palmetto is a Charleston-based provider of energy consumption management and solar energy equipment. Transaction value: \$150.0M

Source: PitchBook

\$3.9B

Capital invested in Q1-2023

134







Transactions in Q1-2023

\$27.5M

Median Capital Invested

Q1-2023 Capital Raise Highlights

Notable North American VC Transactions

INVESTEE				Inflection
LEAD INVESTOR				Undisclosed Investors
DETAILS	<ul style="list-style-type: none"> ▪ Stripe is a San Francisco-based company that provides a payment processing platform. ▪ Transaction value: \$6.5B ▪ Later Stage VC 	<ul style="list-style-type: none"> ▪ Reunion is a San Francisco-based company that operates a renewable energy tax credit trading marketplace. ▪ Transaction value: \$2.9B ▪ Early Stage VC 	<ul style="list-style-type: none"> ▪ Celsius is a Hoboken-based company that operates a cryptocurrency and digital asset trading platform. ▪ Transaction value: \$2.0B ▪ Later Stage VC 	<ul style="list-style-type: none"> ▪ Inflection is a Palo Alto-based company that provides an powered platform aiming to improve human-computer interactions. ▪ Transaction value: \$650.0M ▪ Early Stage VC

Source: PitchBook

\$37.7B

Capital invested in Q1-2023

2,747

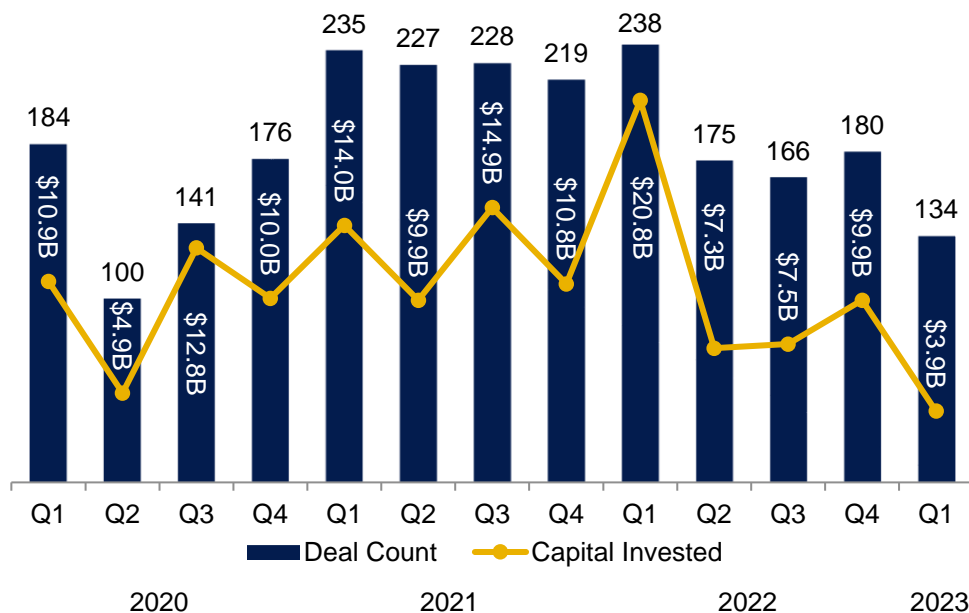
Transactions in Q1-2023

\$3.7M

Median Capital Invested

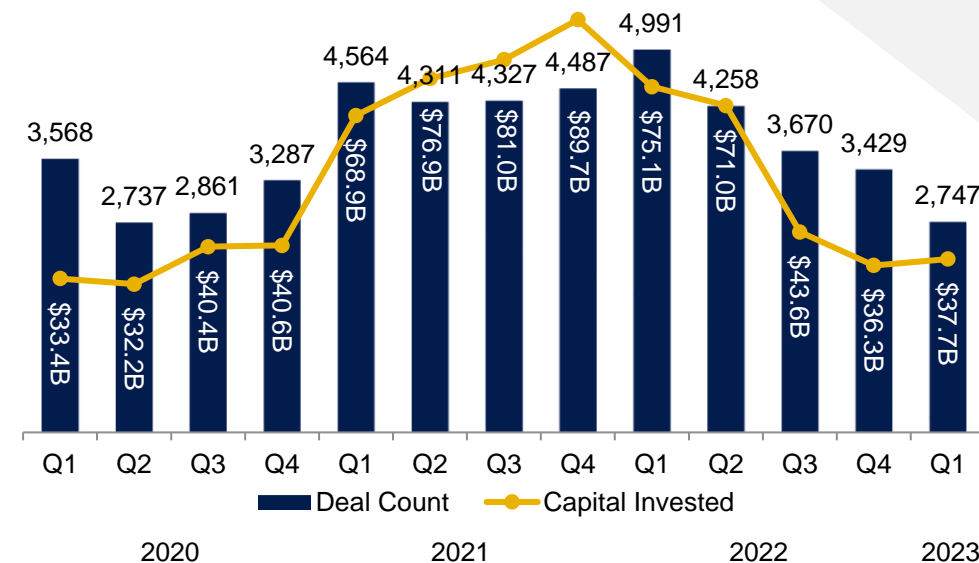
Growth Equity & VC Investment

Growth Equity Funding



- Growth equity funding fell to \$3.9B in Q1-2023, a 61% drop from the levels of capital invested by growth equity in Q4-2022.
- Despite the drop in investment activity, fundraising for growth equity funds remained strong. In early February, Goldman Sachs announced that they had raised a new \$5.2B growth equity fund, named West Street Global Growth Partners I.
- IJW anticipates that growth equity firms will remain active this year as many have substantial dry powder to deploy and have less reliance on debt to fund new investments.

VC Funding



- VC funding has continued to fall, with Q1-2023 seeing a total of 2,747 deal and \$37.7B in capital deployed, a far cry from the record levels of activity seen at the height of the pandemic bull market.
- According to Crunchbase, every stage of VC funding was down between 44% and 54% in Q1 YoY.
- The collapse of SVB, which held the deposits of more than 20,000 VC-backed companies, sparked panic across the asset class.
- Investors are spending an increasing amount of time vetting new investment opportunities, while also looking to back their current portfolio companies.



IJW & Co.

About **IJW & Co.**

Notable Technology Clientele



Team



Ian Wooden, CBV, MRICS – CEO and Managing Director

Ian is the Founder of IJW & Co. and serves as Managing Director and CEO of the firm. Ian has advised hundreds of corporations around the globe across numerous industries on matters of corporate divestitures, mergers and acquisitions, negotiation strategy and business valuation. Ian has developed a specialization in the technology sector and has been fortunate enough to work on transactions along side some of North America's top tech companies. Ian is also the co-founder and board member of the M&A Club, a networking group comprising of 15 chapters with over 400 M&A professionals. He also sits on the board of various technology and consumer product-based companies. In 2013, Ian was awarded the prestigious Top 40 Under 40 by the M&A Advisor, winning in the dealmaker category.

Ian holds an undergraduate degree from the John Molson School of Business with a major in Finance, graduating with distinction, holds the Chartered Business Valuator (CBV) designation, and is a Member of the Royal Institution of Chartered Surveyors (MRICS).



Giancarlo Petraro, LL.B., J.D., LL.M. – Managing Director

Giancarlo is a Managing Director overseeing the Investment Banking Division at IJW & Co. Giancarlo provides middle-market corporate finance and mergers & acquisitions advisory services to corporations in both the public and private sectors. He offers expertise and insights on deal structuring and negotiation strategy with a focus on cross-border transactions. He has completed transactions in a broad range of industries including software, healthcare, manufacturing, business services, and consumer products.

Giancarlo holds a Bachelor of Laws degree and a Juris Doctor, North American Common Law from the Université de Montréal. He also holds a Master of Laws in Banking and Financial Law from Boston University School of Law. He is a member of the New York State Bar Association.



Drew Stuart Dorweiler, MBA, CPA (IL), CPA-ABV, FCBV, ASA, CFE, CBA, CVA, FRICS – Managing Director

Drew is the Managing Director of IJW & Co.'s valuation practice and oversees the firm's Asian operations under the IJW Dorweiler brand. Drew has over 34 years of experience advising on hundreds of valuation, M&A, corporate finance and litigation-support mandates globally. He formerly held the positions of VP at RSM Richter, Sr. Manager of Financial Advisory Services at BDO, Principal at Wise Blackman and worked in various other capacities with Lazard, Merrill Lynch and Deloitte in New York City.

Drew holds a dual MBA in Corporate Finance and Accounting from Lubin Graduate School of Business at Pace University and received a Bachelor degree in Economics from Dartmouth College. He is also a Trustee of The Appraisal Foundation in Washington DC and a Fellow of the Royal Institution of Chartered Surveyors and of the CICBV.

Team



John Lee, Bambini Partners LLC an Affiliate of IJW & Co. – Senior Advisor

John is currently Co-Founder and General Partner of Bambini Partners LLC, an IJW & Co affiliate, with focus on kids, family and pets consumer products. Prior to forming Bambini Partners, John was CEO of Callaway Arts & Entertainment, a highly regarded publishing and IP development enterprise that spawned winning brands such as Miss Spider (by David Kirk), The English Roses (by Madonna); and The Sunny Patch brand (in partnership with Target). Additionally, under John's leadership, Callaway was selected by Apple as one of the first kid's app developers for the launch of the iPad.



Sami Kabir, CFA, MBA – Vice President, Investment Banking

Sami is a Vice President with the Investment Banking division at IJW & Co. Sami joined IJW & Co. in 2019 after spending nearly three years at two different boutique investment banks in Ottawa. Prior to investment banking, Sami held corporate finance roles at Brookfield Asset Management and its subsidiary, Brookfield Renewable Energy, and at Scotiabank as an Analyst within their Commercial Bank.

Sami recently completed and attained his Chartered Financial Analyst (CFA) designation and holds a Bachelors Degree in Commerce, majoring in Accounting, from the Sprott School of Business at Carleton University. Sami is currently enrolled at the Smith School of Business at Queen's University where he is completing his MBA.



Gabrielle Desjardins – Senior Analyst, Investment Banking

Gabrielle is an Analyst within the Mergers & Acquisition advisory practice at IJW & Co. Gabrielle joined IJW & Co. in the Fall of 2019 after having graduated from the Rowe School of Business at Dalhousie University. Gabrielle holds a Bachelor's Degree in Commerce, majoring in Finance with Distinction. Gabrielle was inducted into the Golden Key Society in 2015 and was an active member in Dalhousie's Investment Society and the Rowe Woman in Business Association.

Prior to investment banking, Gabrielle held two different roles as part of her Commerce Co-op program, the first being a Business Strategy & Support Analyst at Export Development Canada, and the second being an Asset Management Administrator at a Real Estate Private Equity group in Ottawa, Ontario.

Team



Simon Cinq-Mars – Deal Origination Lead

Simon is the Deal Origination Lead at IJW & Co. Prior to joining the firm, Simon worked at Modaxo, a Constellation Software portfolio company, where he was a Business Development Analyst on their M&A team. He has previously worked as an intern in private equity and management consulting.

Simon holds a bachelor's degree in Economics with a minor in Finance from McGill University. Following his undergrad, Simon pursued a master's degree in Management with a specialization in Finance from Imperial College Business School, which he completed in 2020. Simon is also a CFA Level I Candidate.



Sarina Gill – Senior Analyst, Investment Banking

Sarina is a Senior Analyst within the Mergers & Acquisitions advisory practice at IJW & Co. Sarina joined IJW & Co. in the Fall of 2021, having recently completed her Bachelor of Commerce Degree from the Joseph L. Rotman School of Management at the University of Toronto with a specialization in both finance and economics. Sarina has also enrolled in the CFA program and is currently a Level I Candidate.

During her undergraduate studies, Sarina worked as a Research Assistant where she analyzed patent data alongside faculty members. In 2020, Sarina joined a financial commentary blog as an Equity Research Analyst and has also held the role of an Economic Development Student Intern for her municipality's Enterprise Centre in Oakville, Ontario.



William Robinson – Analyst, Investment Banking

William is an Investment Banking Analyst at IJW & Co. William joined IJW & Co. in March 2022 after completing his MBA at the Smith School of Business at Queen's University, where he specialized in Finance. William was a member of his school's Tri-Colour Venture Fund, completing due diligence work and successfully investing in an early-stage biotech company out of the USA. William also has experience performing management consulting work for a Technology start-up based in Seattle.

Prior to completing his MBA, William spent three years with TD Bank as a people manager and bank manager. William has supported personal and commercial clients with their most important business needs and was responsible for leading bank strategy. William holds a Bachelor's Degree (Honours) from the University of Western Ontario.

Team



Bronte Macfarlane – Analyst, Investment Banking

Bronte is an Investment Banking Analyst at IJW & Co. Since graduating from the John Molson School of Business at Concordia University, Bronte has spent three years working in various finance roles, including as an Analyst at Novartis, an Analyst at State Street, and most recently, an Analyst at a single-family office here in Montreal.

Bronte holds a Bachelor's Degree in Commerce, majoring in Finance. She is currently pursuing her MBA in Investment Management and is a Level II candidate for the Chartered Financial Analyst (CFA) designation.

In her spare time, Bronte enjoys skiing, hiking, and yoga.



Thank You.



Sami Kabir, CFA, MBA
Vice President



613.864.9066



skabir@ijw.ca



www.ijw.ca



Simon Cinq-Mars
Deal Origination Lead



514.814.4008



scinqmars@ijw.ca