Software & Technology Enabled Services

ankura CAPITAL ADVISORS

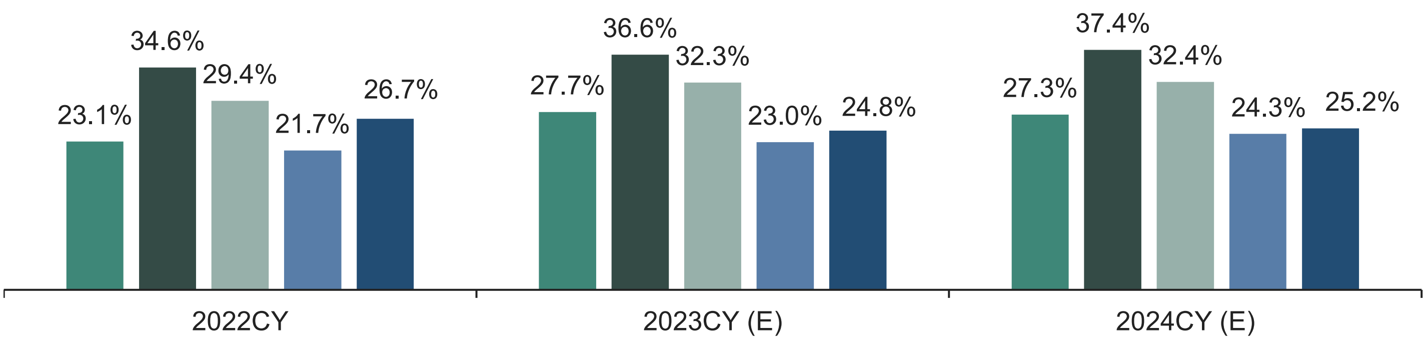
INDUSTRY UPDATE JANUARY 2024

- When we last wrote in July, companies were embracing digital advancements, such as Generative AI, and restructuring business practices to drive innovation and expand profit margins
- The upcoming year will see continued margin expansion driven by an industry-wide focus on operating profitability. Price increases and layoffs are expected throughout 2024 as tech companies backtrack on their 2022-era hyper-growth
- It is expected that 2024 will bring more use cases of tech-enabled services, especially in the areas of cybersecurity, professional services, and cloud technology

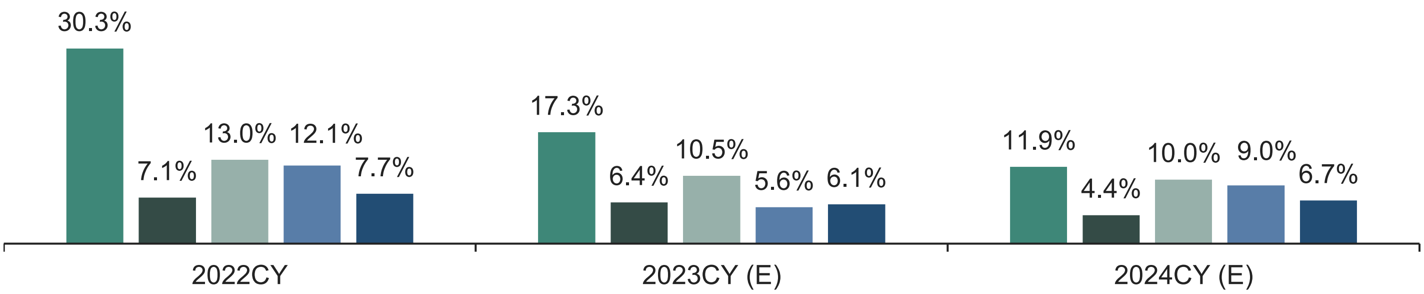
SOFTWARE & TECH ENABLED SERVICES HEADLINE TRANSACTIONS

TARGET	ACQUIRER	ACQUISITION SYNOPSIS
Dig Security	paloalto NETWORKS	The company was acquired by Palo Alto Networks for approx. $295 million in cash and stock. The acquisition will integrate Dig's data security capabilities into Palo Alto's cloud platform, providing near-real-time data protection across the entire cloud estate. Ultimately, this move will help Palo Alto provide customers with the critical data security capabilities and context they need to improve their overall cloud security posture.
Astadia	amdocs	The company was acquired by Amdocs Ltd. for approx. $75 million in cash. The acquisition will accelerate Amdoc's customer cloud offering to include highly sophisticated, mainframe-to-cloud migration and modernization, as well as end-to-end from consulting to managed services.
Hivestack	Perion	The company was acquired by Perion for $100 million in cash, with an additional $25 million performance-based payment plan. This acquisition marks Perion's entry into the digital out-of-home (DOOH) market, leveraging Hivestack's programmatic DOOH technology. It is expected to advance Perion's diversification strategy, expand its tech capabilities, and enhance its product offerings, positioning the company for growth in an evolving market.

EBITDA MARGINS



REVENUE GROWTH



High Growth Software
Medium / Low Growth Software
Horizontal Software
Vertical Software
Infrastructure Software

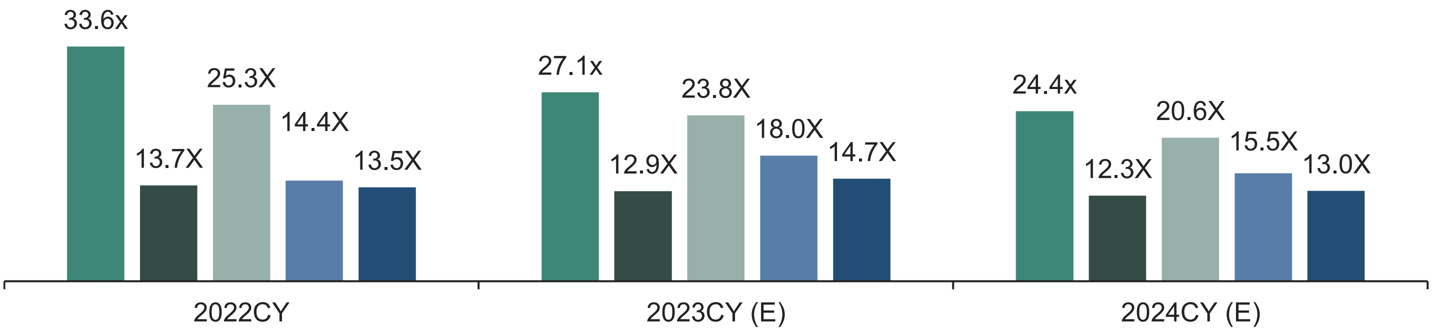
Notes: High Growth Software defined as any company with > 20% revenue growth and Medium/Low Growth Software defines as any company with < 20% revenue growth
Source: Data from Pitchbook and CapIQ as of 12/11/2023, Deloitte Tech Trends 2024

Software & Technology Enabled Services Industry Update

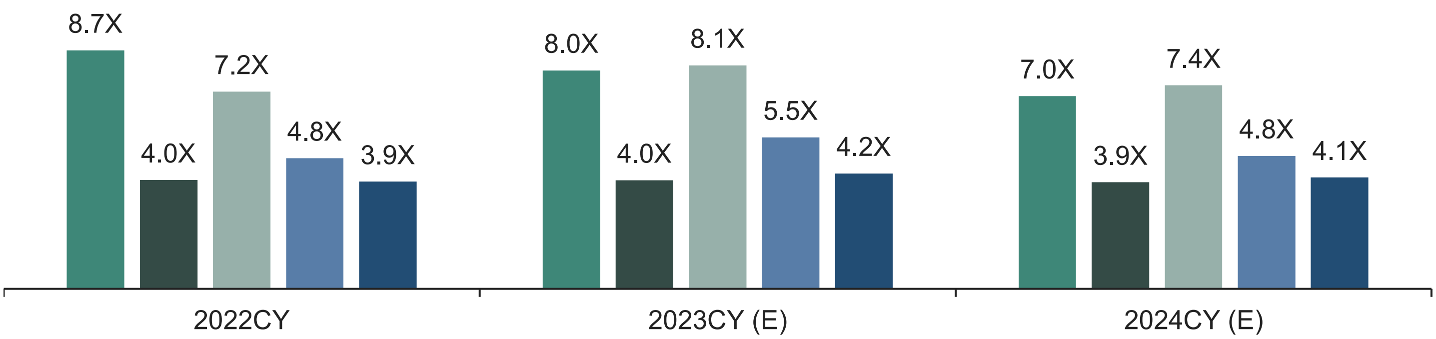
JANUARY 2024

- This quarter saw the continued decline of M&A in the IT Services and Software sectors. Deal count and size have returned to 2020 levels on the heels of challenging macroeconomic factors
- Valuation multiples are expected to continue their slight downward trend in 2024, though to a smaller degree
- The development of Artificial Intelligence continues to challenge the industry and firms who successfully integrate it into their processes will experience greater success

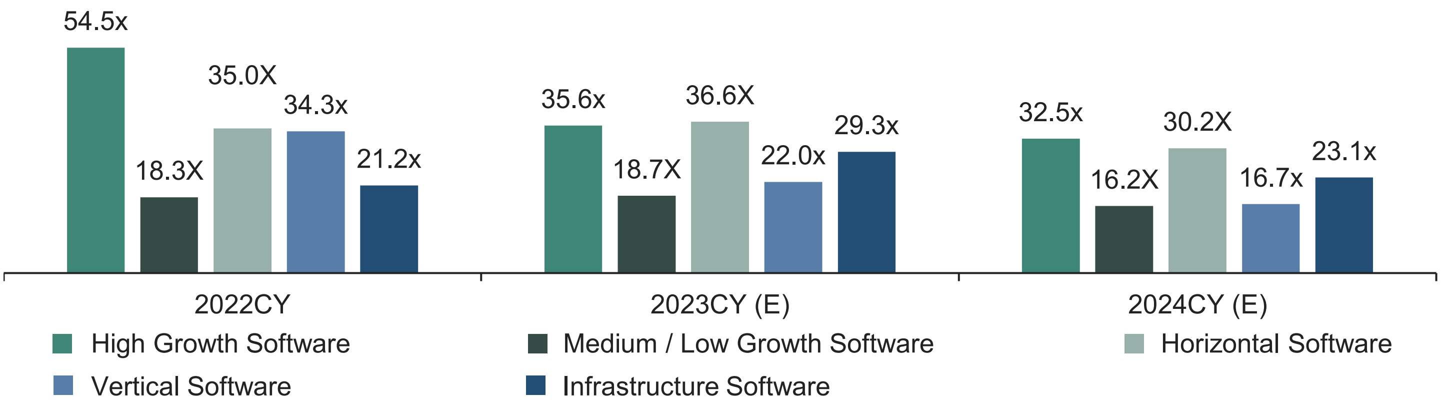
ENTERPRISE VALUE / EBITDA



ENTERPRISE VALUE / REVENUE



PRICE/EARNINGS



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