

Software & Technology Enabled Services

INDUSTRY UPDATE MARCH 2024

- In 2023, the tech sector experienced substantial revenue growth, largely attributed to the proliferation of generative AI technologies, sparking a transformative era of innovation and disruption.
- In 2024, we anticipate a deliberate growth strategy, placing greater emphasis on strategic investments in public cloud, cybersecurity, and AI. The focus will be on cultivating a sustainable business model, prioritizing profitability over solely pursuing topline growth. This approach contrasts with the perception of tech companies engaging in an aggressive pursuit of revenue, signaling a shift towards a more balanced and financially sustainable trajectory.

SOFTWARE & TECH ENABLED SERVICES HEADLINE TRANSACTIONS

TARGET

ACQUIRER

ACQUISITION SYNOPSIS



Enpro Inc. has acquired AMI Inc. for approximately \$210 million in cash, bolstering its Sealing Technologies segment with AMI's innovative analyzer and sensor solutions. The integration aligns with Enpro's strategy to invest in products safeguarding critical environments, anticipating positive impacts on revenue growth and profitability in key markets.

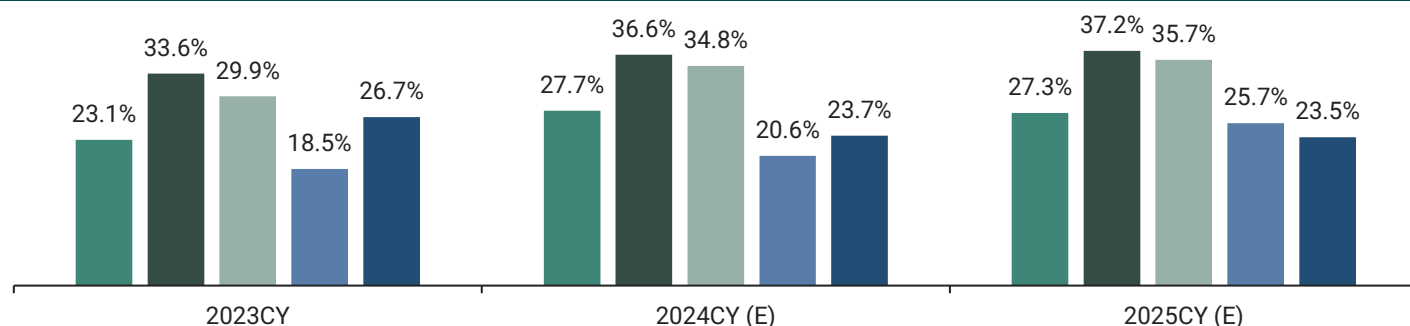


Clearbit was acquired by HubSpot, Inc. for \$147 million in cash. With the acquisition of Clearbit, HubSpot will bring rich third-party company data into its system of record, making HubSpot the central source of truth for go-to-market professionals and provide customers with the most comprehensive context about their customers and prospects.

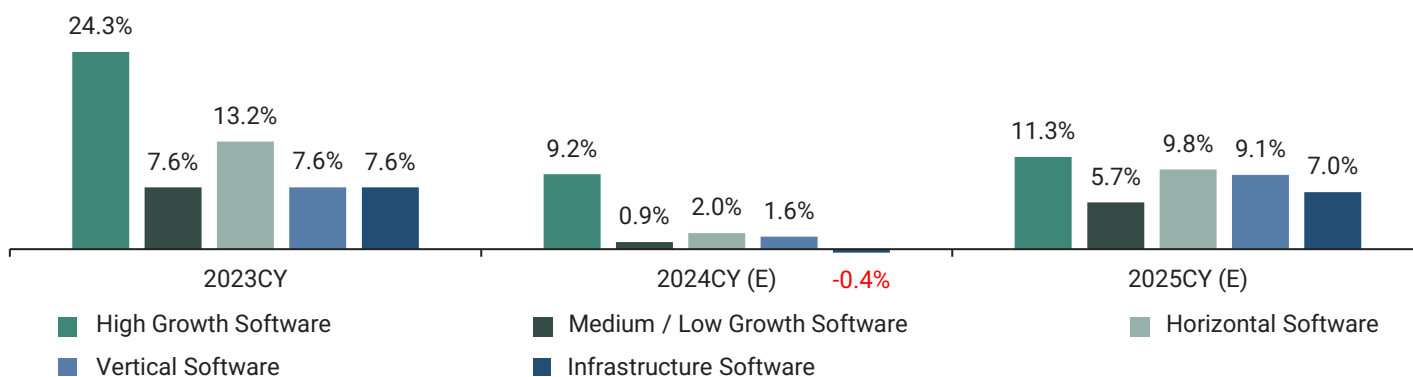


SoundHound AI, Inc. acquires SYNQ3, Inc. for \$27.8 million, expanding as the leading U.S. voice AI provider for restaurants with 10,000+ locations. The deal, involving \$25 million cash and \$4 million based on revenue targets, leverages a dataset of 50 million interactions to enhance AI performance. SoundHound aims to accelerate monetization by enabling voice-based food and drink ordering across cars, TVs, and IoT devices, aligning with the restaurant sector's tech adoption trend.

EBITDA MARGINS



REVENUE GROWTH

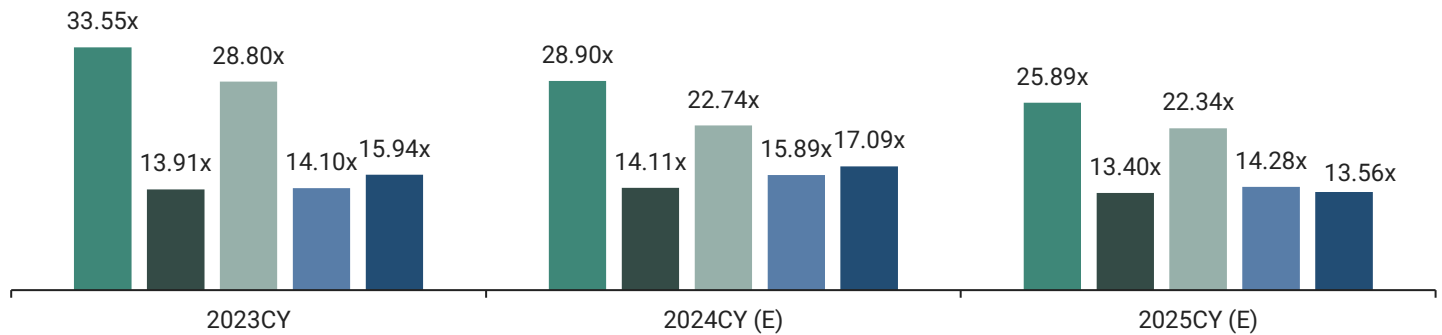


Notes: High Growth Software defined as any company with > 20% revenue growth and Medium/Low Growth Software defines as any company with < 20% revenue growth

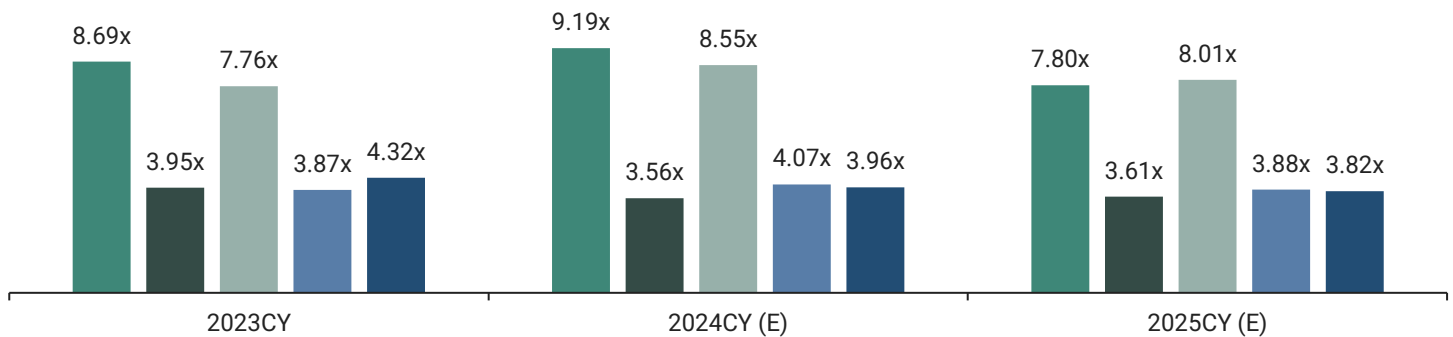
Source: Data from Pitchbook and CapIQ as of 02/22/2024, Deloitte Tech Trends 2024, Pwc Technology: US Deals 2024 Outlook

- Increased focus on financial stability and operational efficiency is anticipated to yield improved EBITDA margins going forward
- Multiples are expected to stabilize in 2024 and 2025 after experiencing hypergrowth in 2023. This suggests improved operational efficiency and may reflect adjustments in growth expectations and market conditions.
- We anticipate heightened regulatory scrutiny of the tech sector by governments worldwide, prompting firms to prioritize data protection, mitigating harm, ethical AI, and sustainability efforts.

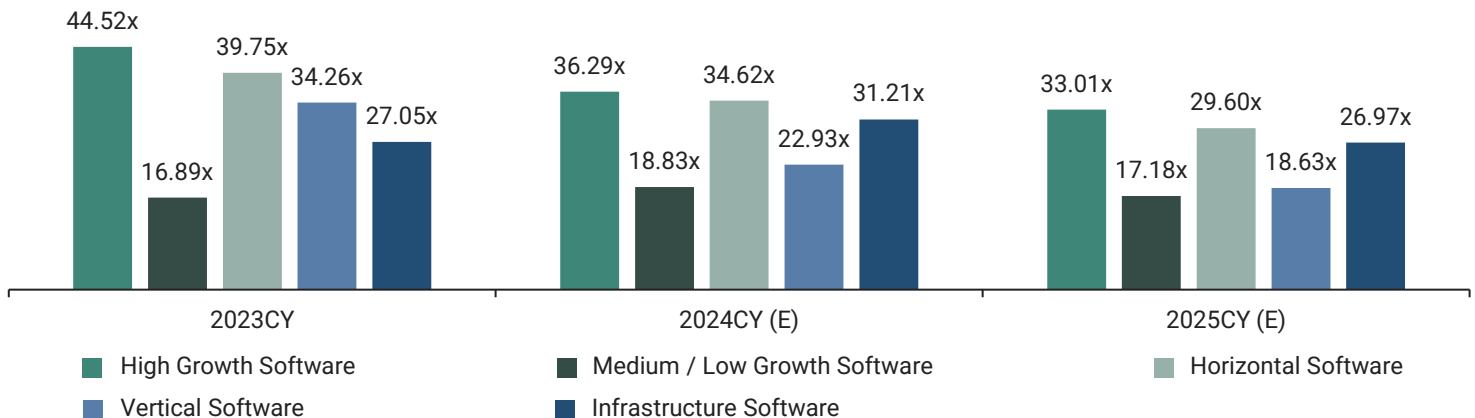
ENTERPRISE VALUE / EBITDA



ENTERPRISE VALUE / REVENUE



PRICE/EARNINGS



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