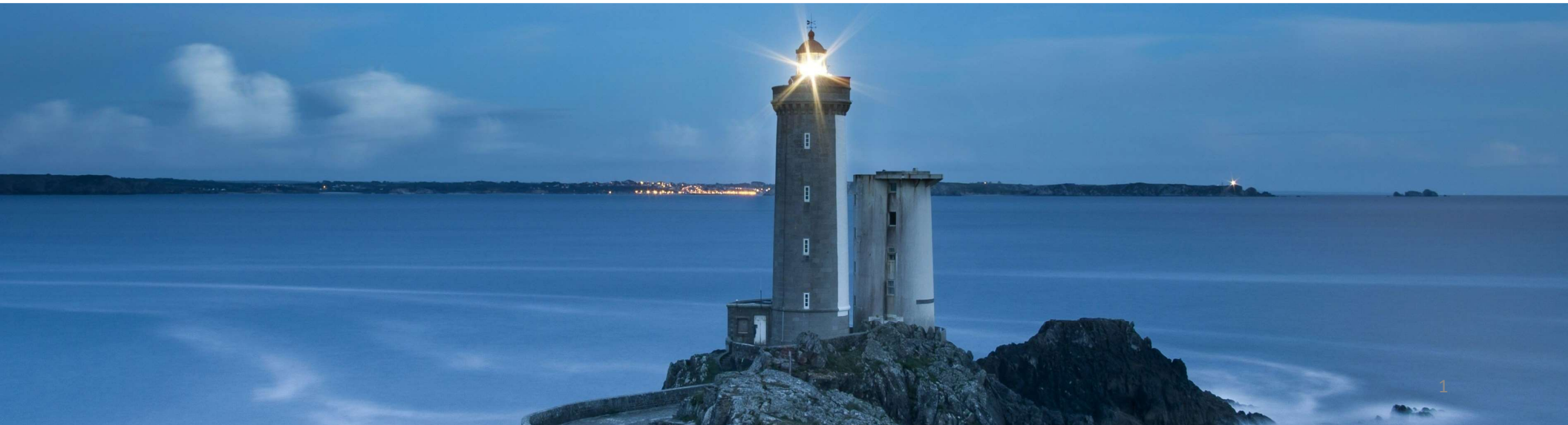




# Signals Tech M&A Briefing

July 2024



## INSIDE

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### I. Latest Deal Activity

Investment trends and deal themes driving the tech M&A world in 2024.

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### II. Tech M&A Valuations

See how M&A valuations are trending for growth and midmarket tech companies.

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### III. Founder's Corner

How to sell to a strategic acquirer- hear directly from founder entrepreneurs that sold their business: the ups, the downs, and lessons learned.

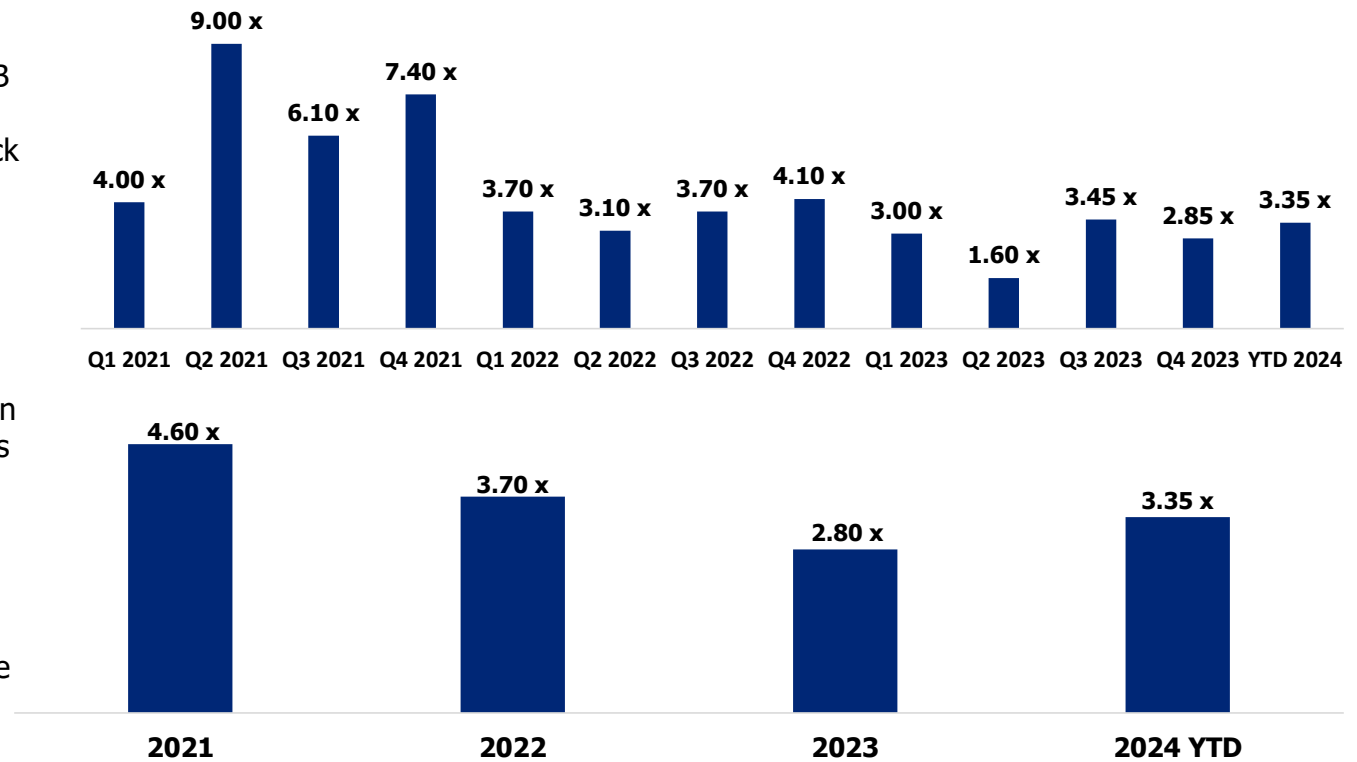
Welcome to *Signals*, our regular briefing on technology company growth and M&A. Our purpose is to provide insights into the M&A landscape that are useful to entrepreneurs operating in the <\$100M enterprise value segment, often called the lower middle-market. We want to inform and connect with business leaders through guidance that aids their growth, corporate development and shareholder value decisions.

This edition of *Signals* gives an **Overview of the Tech M&A Landscape** where we report on valuation trends for private software companies across multiple industries. Next, we drill into three hot M&A segments: **Intelligent Automation, HCM, and FinTech** with news and insights drawn from our research and deal experience. This is followed by a special section on the **Impact of Revenue Quality on Enterprise Value** and lastly **anecdotes of operating executives from their own transaction experience.**

If you have any questions, please contact us at [info@navantpartners.com](mailto:info@navantpartners.com) or you can contact me, Jeff Brown, Managing Partner at [Jeffb@navantpartners.com](mailto:Jeffb@navantpartners.com)

# Valuation Multiples for Lower and Middle Market Private B2B Software Companies (<\$500M EV)

- Revenue multiples for privately-held B2B software companies across multiple industries showed an uptick in 2024 back to the historical average, following the swings in value observed in 2021 and 2023.
- This pattern follows broader market conditions, where COVID-era inflation was followed by the interest rate hikes in 2022 and 2023, which caused valuations to contract in both public and private markets.
- In the longer term, macroeconomic factors and the increasing adoption of disruptive AI technologies will contribute strongly to shaping the Tech M&A landscape.



Source: 451 Research, Application Software, Information Management

# Intelligent Automation and RPA Introduction

Intelligent Automation (IA) refers to the use of intelligent technologies such as robotic process automation (RPA) using software or bots and artificial intelligence (AI) to automate and scale business tasks or processes such as data entry, invoice processing, customer service automation and others. Aside from initial set-up costs, IA often leads to long-term cost savings by streamlining processes and improving productivity.

## Benefits of Adopting Robotic Process Automation



Greater Flexibility



Increased Accuracy



Cost Savings

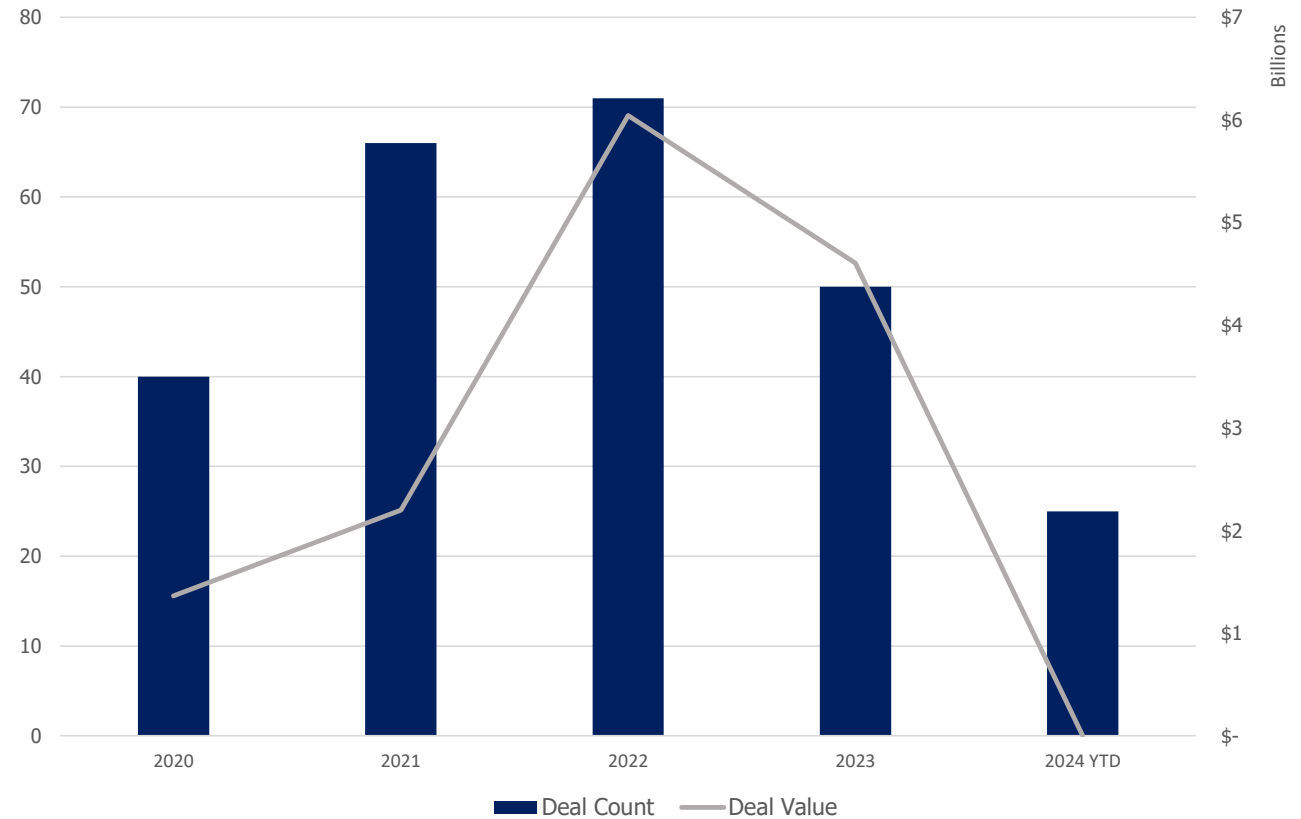


Improved Productivity

Source: 451 Research,

# Intelligent Automation & RPA Deal Activity

- M&A activity in the **Intelligent Automation and RPA sector has grown 25% from 2020 through 2023. Deal activity in 2024 is much higher than the same time last year**, and on track to surpass all previous years on an annualized basis if trends continue. Deal value peaked in 2022 with over \$6B in total disclosed transaction value.



Source: 451 Research,

# The Impact of Intelligent Automation

**While the nascent promise of AI is intriguing; Intelligent Automation use cases are readily available, significantly more impactful than offshoring or re-engineering, driving higher valuation multiples, and creating premium value-add.**

Leaders across all departmental functions and industries have been capitalizing on the long-term automation settings of Digital Transformation as the baseline. The top performers have been stepping ahead of the pack with RPA-enabled Intelligent Automation for their productivity value-add. We are watching closely as the innovators are aggressively exploring AI-powered Intelligent Automation (“AI-inside”) across a range of use cases.

On average growth and emerging stage leaders are spending greater than 10% on R&D with specific use cases that are driving greater customer usage and satisfaction beyond workforce savings, efficiencies and productivity.

## Intelligent Automation's impact

- For the back office, embedded platforms are driving real tech stack changes
- For professional services, the revenue generating opportunities of AI and IA represent \$8 for every \$1 of tech
- For the vertical SaaS platforms, IA tech is driving partner ecosystems and greater satisfaction self-service usage
- For compliance and governance, the need for DEI, ESG, EHS and Cybersecurity, has changed requirements

As business moves past Digital Transformation, Intelligent Automation represents the next building block for unlocking growth and enterprise value.

# Top Industries for Intelligent Automation M&A



## Healthcare

- RPA in healthcare streamlines processes such as scheduling, billing, revenue cycle management, and claims processing.
- RPA can also be used to collect and organize patient data and even automate certain diagnostic processes, allowing professionals to focus on care delivery.



## Banking & Finance

- RPA in the investment and finance industry is being used to streamline back-office operations such as data entry, reconciliation and compliance reporting.
- On the customer-facing front, RPA technology can be used to handle customer inquiries, account management and loan processing.

# Notable Healthcare RPA Deals

Acquirer



Target



Target Description

Medical imaging & workflow automation software



Healthcare data curation & RPA SaaS



Healthcare revenue cycle automation SaaS



Healthcare BI & RPA management SaaS



Workflow RPA SaaS for healthcare



Healthcare workflow automation and RCM SaaS

Source: 451 Research



# Notable Banking & Finance RPA Deals

Acquirer



Target



Seller Description

Regulatory compliance RPA SaaS for banking



Financial compliance automation software

EDGEWATER



Financial compliance automation software



Financial document and workflow automation SaaS



RPA consulting services for financial institutions



BNY MELLON



RPA-enabled investment management software

Source: 451 Research

# Recent RPA & AI Automation Deals

Acquirer



Target



Seller Description

Intelligent content automation software



AI-based customer support automation software



AI analytics and RPA consultancy



Business process and accounting automation SaaS



AI-based task mining and RPA software

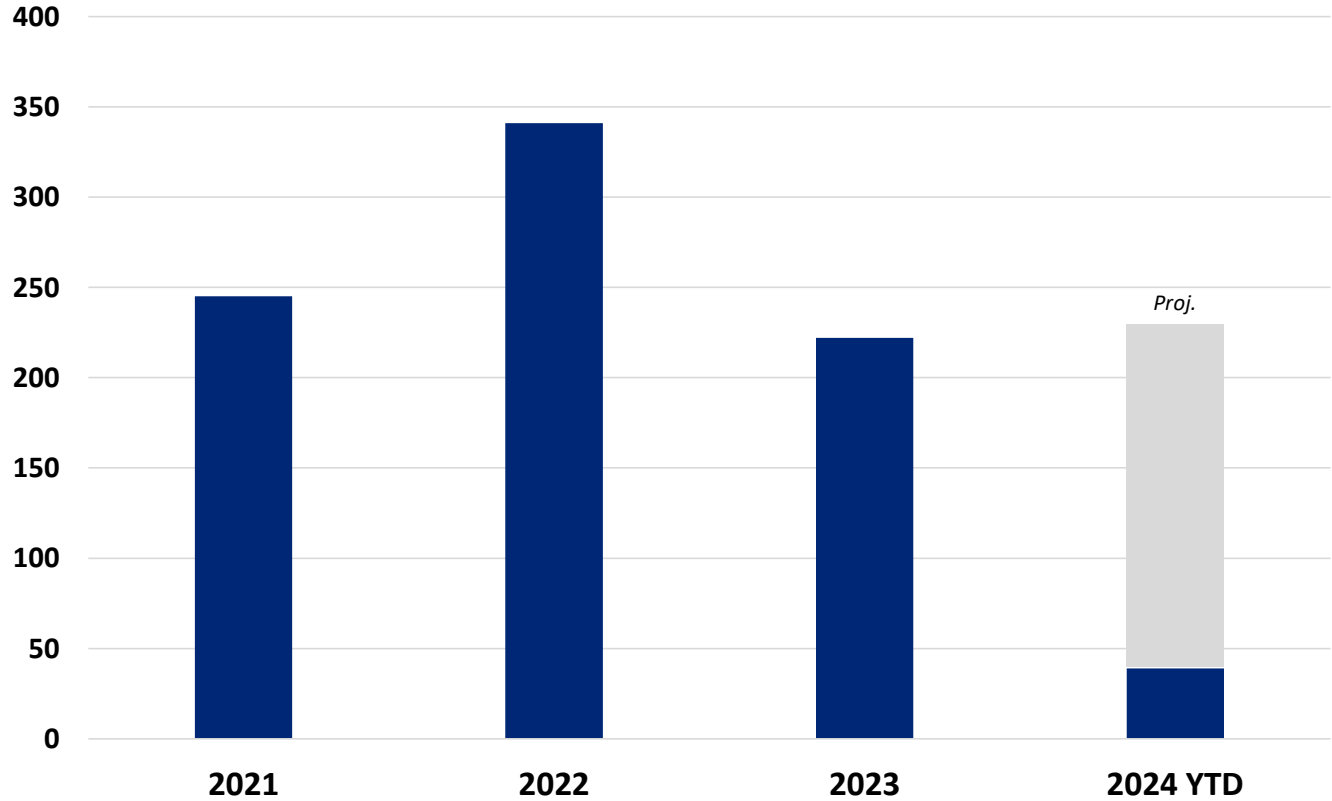


AI-based media operations automation SaaS

Source: 451 Research

# Human Capital Management (HCM) Deal Activity

- M&A activity in the HCM Tech sector was down over 30% year over year in 2023. However, **deal activity in 2024 is higher than the same time last year**, and on track to meet or surpass 2023 levels on an annualized basis.



Source: 451 Research,

# 2024 Focus Areas for HCM Tech M&A



## Compliance Management

- Complexity around state and local laws necessitates compliance management solutions.
- Flurry of new laws around minimum wage, paid leave, and transparency expected to drive demand.



## Payroll Automation

- Shift toward automated, cloud-based, and integrated payroll solutions.
- Driven by advances in artificial intelligence (AI) and machine learning (ML) systems.



## Benefits Management

- Shift toward personalized benefits packages that improve retention and increase employee engagement.
- Increasing demand for family planning flex-time and mental health benefits.



## Employee Development

- Renewed emphasis on employee development and upskilling to improve retention.
- Increasing use of AI tools to deliver adaptive learning experiences.

Source: 451 Research

# Notable HCM Transactions Deals

Acquirer

Target

Seller Description



Benefits management software for SMBs



Benefits administration software



Payroll automation software



Workforce learning and engagement software



Talent acquisition and orchestration SaaS



AI-based employee enablement SaaS

Source: 451 Research

# Notable HCM Transactions Deals

Acquirer

**CERIDIAN**

Target

**eloomi**

Seller Description

AI-based employee training software

**SOVOS**

 **AATRIX**

Payroll tax reporting software

**Bullhorn** 

**m | ployee**  
staffing software

Salesforce-based HR software for staffing

**MITRATECH**

**Mineral**

HR & compliance software

**Stierling**

**VAULT**  
HEALTH

Workforce health screening management SaaS

**ZVOOVE**

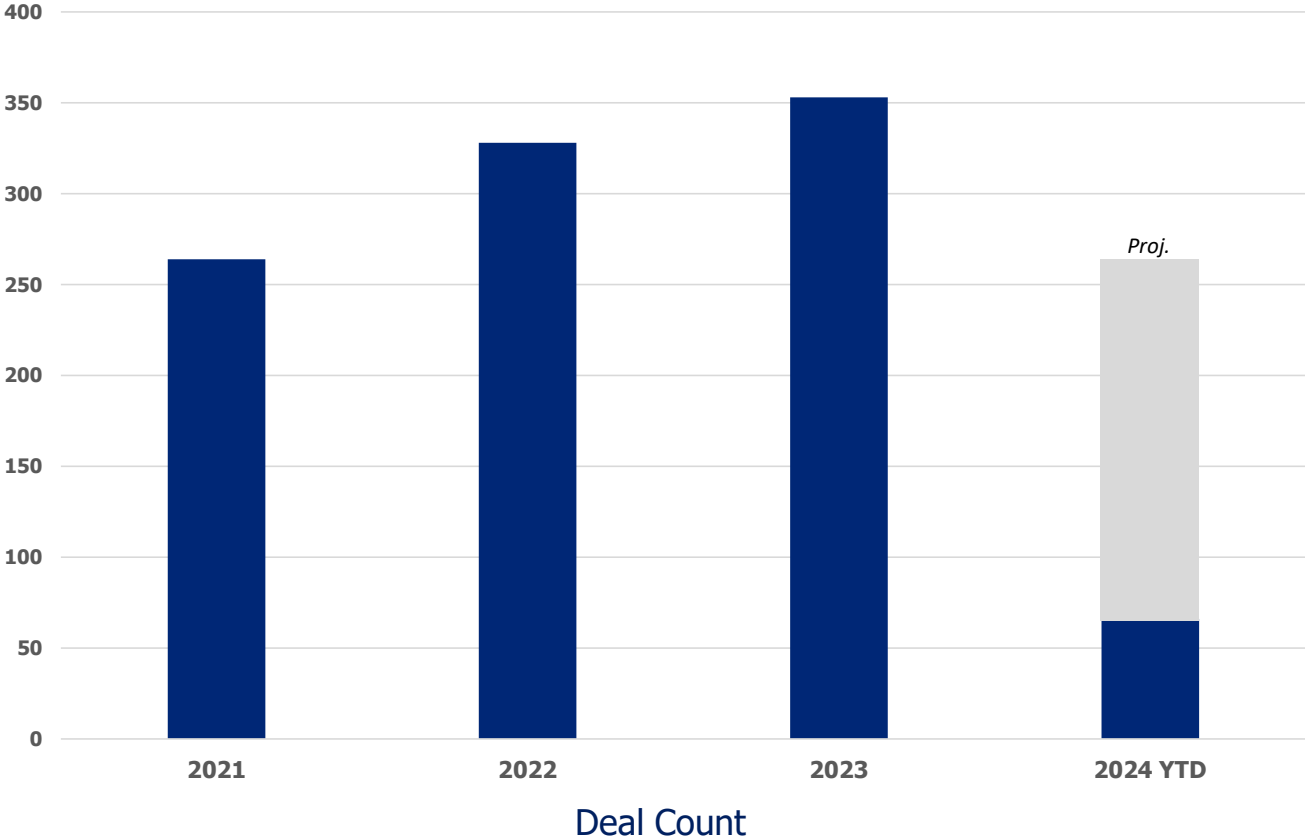
 **Planbition**  
Your Planning. Our Ambition

Workforce management SaaS for staffing

Source: 451 Research

# FinTech Deal Activity

- M&A activity in the FinTech sector grew 8% in 2023. **Deal activity in 2024 is lower than the same time last year, but on track to meet levels seen in 2021 on an annualized basis.**



Source: 451 Research,

# 2024 Focus Areas for FinTech M&A



## **AI Automation in Banking & Finance**

- Banks and other financial institutions will continue incorporating automation to enhance operating efficiencies.
- Focus areas for AI in banking include customer service management, fraud detection, and investment optimization.



## **Smart F&A Services**

- Growing demand for tech-enabled services companies serving or replacing the office of the CFO.
- F&A Services firms using proprietary tech or workflows for service delivery receive a premium in the M&A market.



## **Verticalized Payments**

- As the payment industry consolidates and becomes commoditized, vertical focus becomes an important differentiator.
- Vertical SaaS platforms increasingly seeking to integrate payments into their service offerings.



# Notable Payments Deals

Acquirer



Target



Seller Description

Payment processing services



Payment infrastructure software and APIs



Digital payments and authentication software



International remittance services



Construction payments management software



Credit card payment processing services

Source: 451 Research

# Notable F&A Services Deals 2023-YTD

Acquirer

**hline**

Target

**CALCULATE**

Seller Description

Outsourced accounting and consulting services

 **Conexus**

 **LOGIS**

Finance and accounting consulting services

 **Cherry  
Bekaert**

 **CORDIA**

Client accounting services and advisory

 **BeachFleischman**  
*collaborate forward*

 **Kuadra**

Outsourced bookkeeping services

 **KORN FERRY**

**Salo**

Finance and accounting outsourced services

 **VentureCount**

 **TARSUS**  
- CFO SERVICES -

CFO and controller services

Source: 451 Research

# Notable Back Office Software Deals

Acquirer

Target

Seller Description

**APEX** Fintech Solutions

 **ADVISORARCH**

Portfolio management software for advisory

**WCAS**

 **EQUILEND**

Online equity trading services

 **LEAGUE DATA**

 **technicost**

Credit union management software

**Edgewater**  
CAPITAL PARTNERS

 **ASCENT**

Financial compliance automation software

**MSCI** 

 **foxberry**  
index  
management

Investment management and analytics SaaS

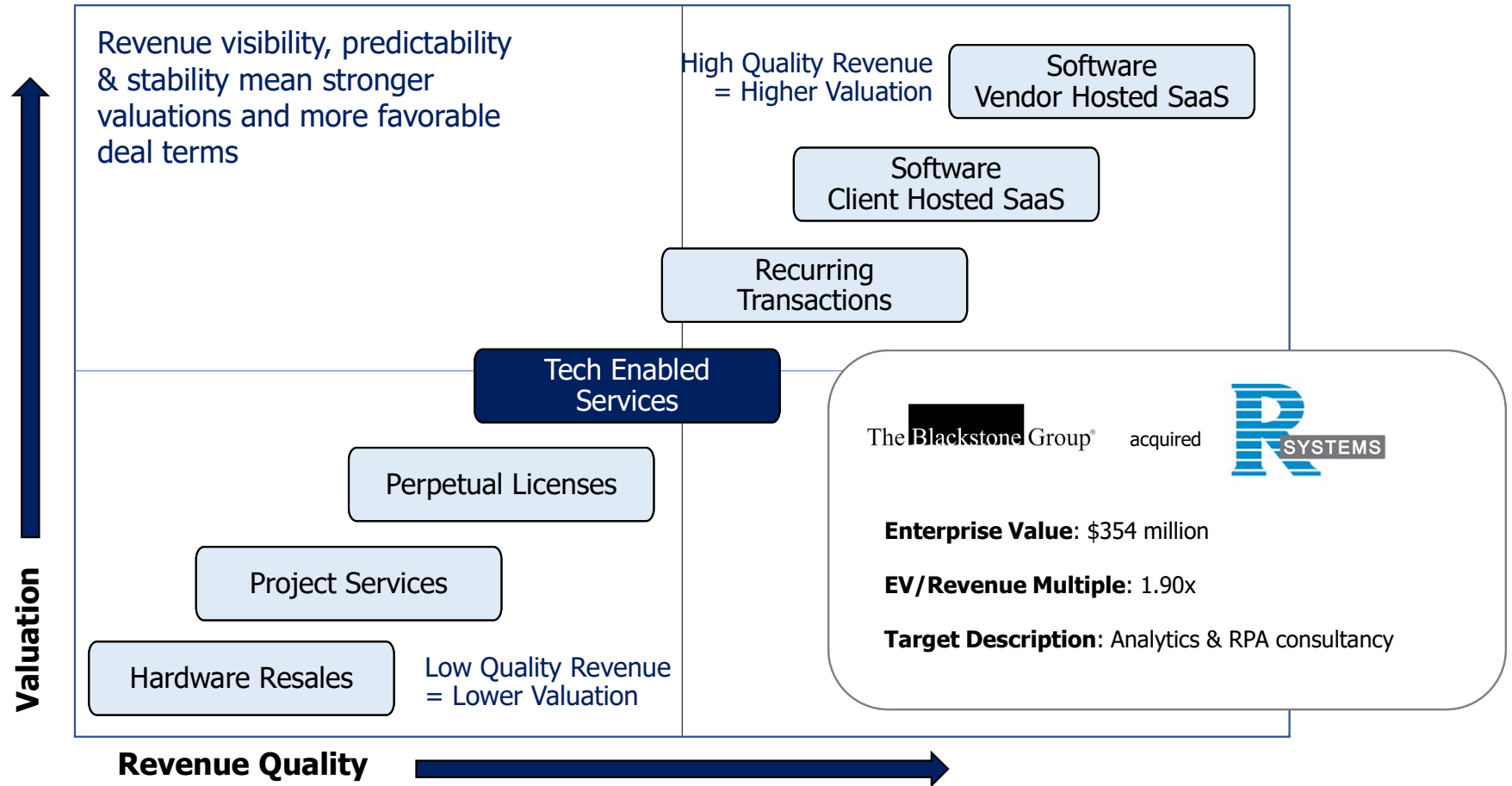
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 **docfox**

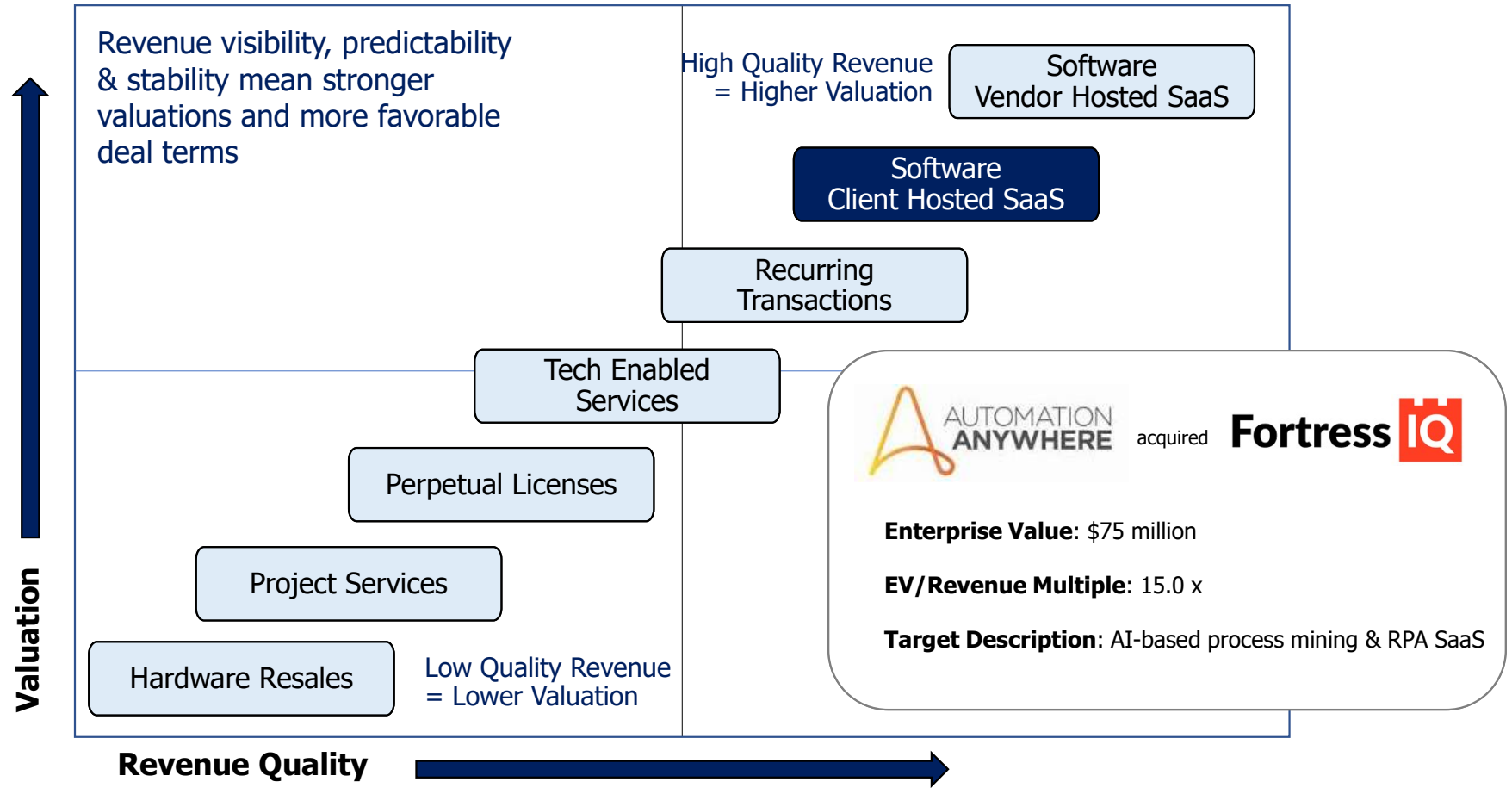
AI-based bank onboarding automation software

Source: 451 Research

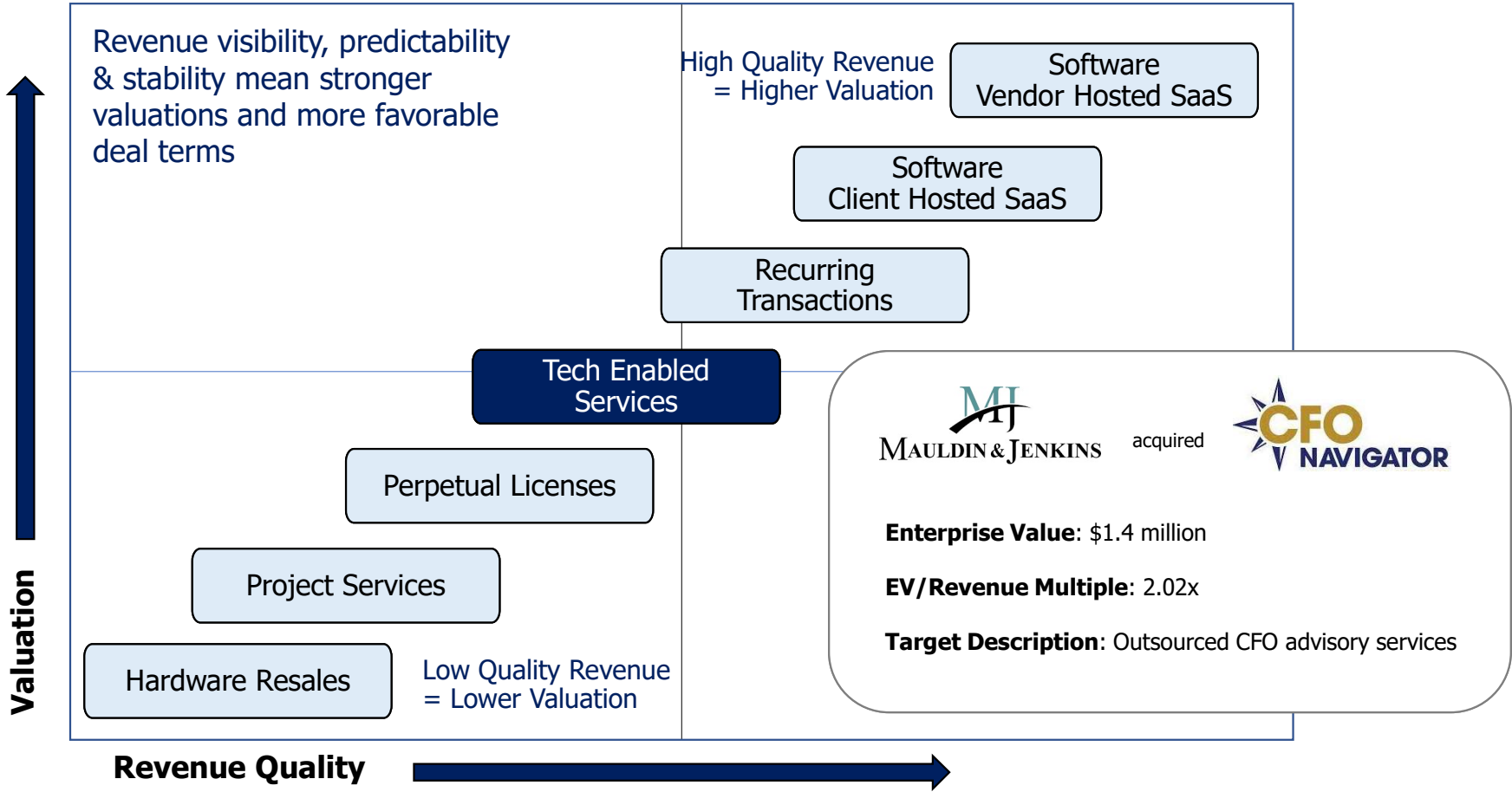
# Revenue Quality Impacts Valuation



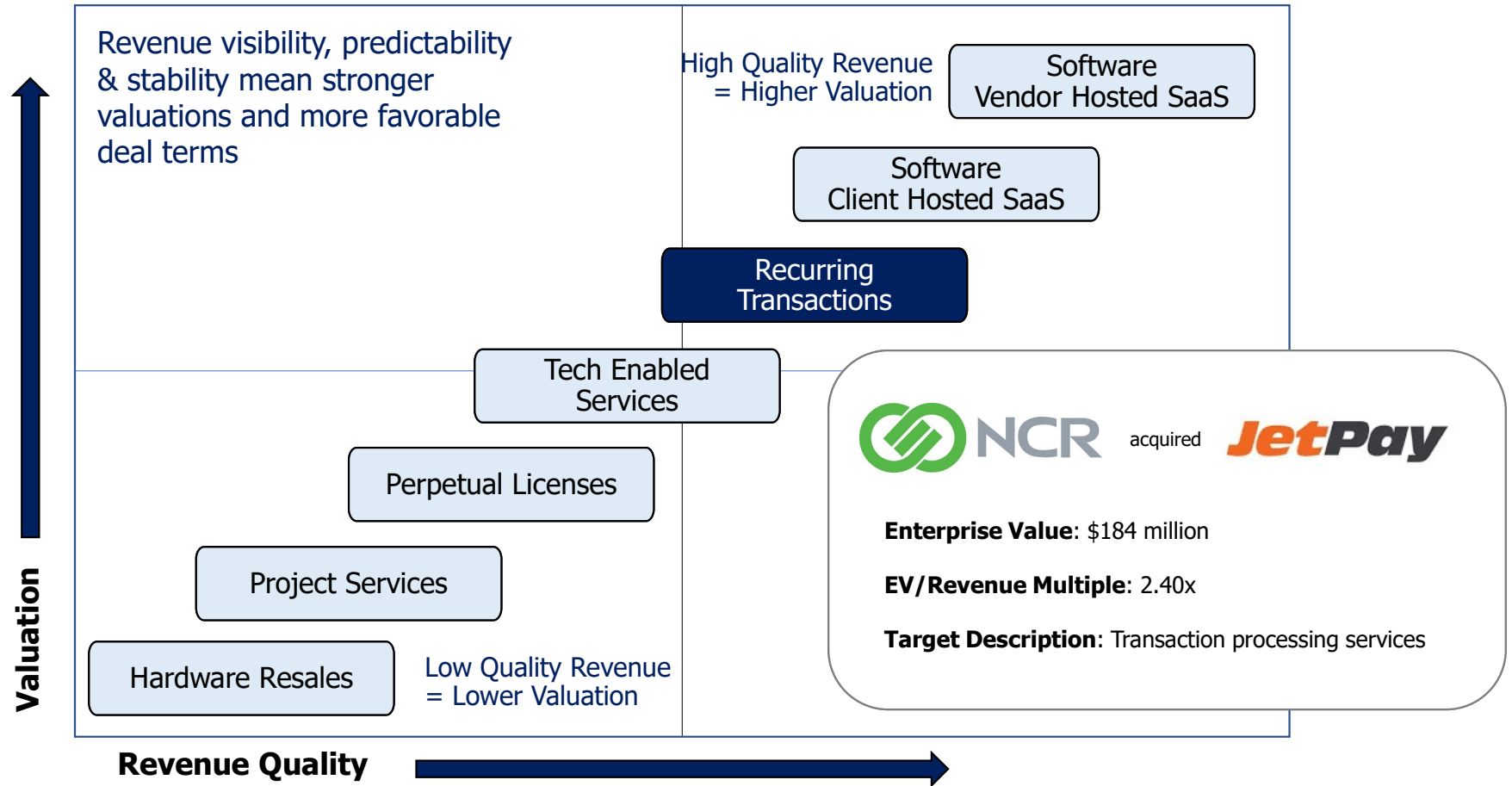
# Revenue Quality Impacts Valuation



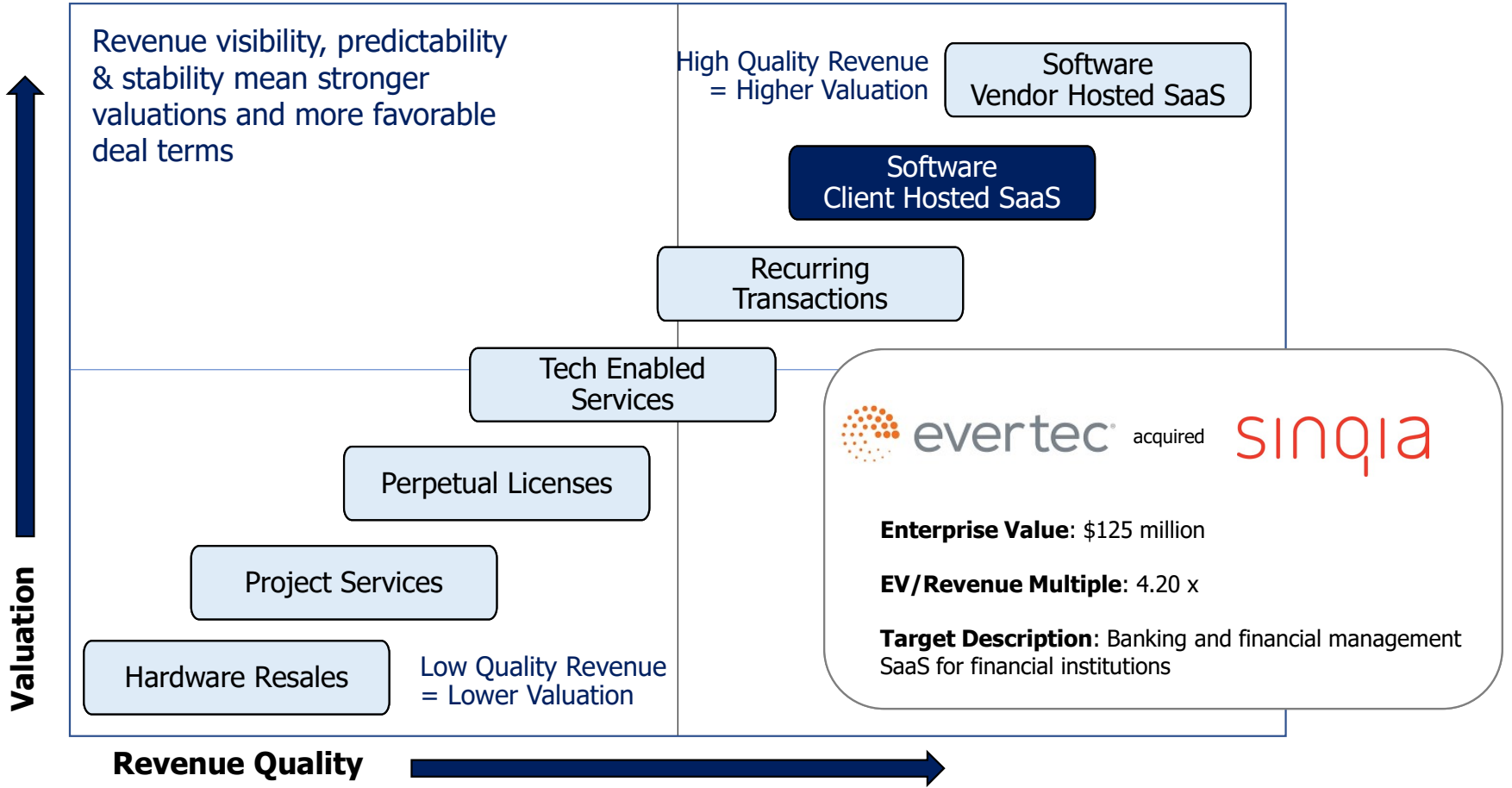
# Revenue Quality Impacts Valuation



# Revenue Quality Impacts Valuation



# Revenue Quality Impacts Valuation





# Founder's Corner



*"We worked closely with Navant to survey the market to find the right acquirer – one that we were sure shared our strategy for Intelligent Automation. We had worked very hard over 20+ years to build Element Blue, so it was important to find the right platform where we could continue to build the business as the market evolved. Together with Navant we explored the combination with multiple acquirers to learn how well each matched our criteria. In the end, we found a great fit with Tquila and Delta-v"*

- Steven Gerhardt, Founder & CEO, Element Blue



*"When it was time to sell our company, we asked Navant to find the right acquirer – and get it done quickly. They did both. We chose Navant because of their expertise in the HCM/HRTech space and their team's demonstrated ability to get a deal closed. They anticipated potential issues and made the entire process as smooth as possible. I would work with them again."*

- bethany Blount, Founder & CEO, Compaas

# Intelligent Automation Case Study



**Global intelligent automation consultancy, Tquila Automation has acquired Element Blue, a UiPath Platinum Partner and intelligent automation leader in the US healthcare market.** With a two-decade track record and partnerships with industry leaders, Element Blue’s solutions streamline patient access, referrals, and the revenue cycle from providers to payers. The combined business is enabled to better support enterprise-level customers across healthcare and other industries. Tom Abbott, Tquila CEO, says, “The acquisition of Element Blue realizes our strategy of building industry specialist capability across the US and Europe. Steven Gerhardt, Element Blue Managing Partner, adds, “Our future as a combined team is an exciting new chapter. We have a shared vision to be intelligent automation leaders. Our 20-years of healthcare leadership, including five years with UiPath, helps position us for long-term success and allows us to offer even greater levels of service and innovation to clients.” To fund the acquisition, Tquila raised US \$20M financing led by Delta-v Capital. Navant Partners served as the exclusive M&A advisor to Element Blue.

# Human Capital Management Case Study



**A publicly traded payroll provider has acquired the Compaas software product family.** Compaas is the industry's most comprehensive solution for compensation management. The SaaS product scales from mid-market to enterprise, combining secure, seamless workflow, detailed analytics and a full picture of the compensation mix into a total solution. The acquisition comes at a time when compensation professionals and HR leaders are focused on the quality of the employee experience more than ever. The adequacy of total compensation is the leading factor affecting employee experience and is behind high retention and low attrition. Compaas will be integrated into the strategic acquirer's human capital management platform that addresses people management from recruiting, onboarding and payroll to career development and retention. Navant Partners served as the exclusive M&A advisor to Compaas.

# Fintech POS Case Study



**Loyverse**, a young point of sale software company based in the Mediterranean country of Cyprus, with a global customer base was acquired by **SaltPay**, a London based, venture backed payment platform company building a family of products to span the payments value chain for small business. Motivated by the \$7.2B of acquired GTV, the undisclosed valuation was top tier. The deal structure was simple and clean.

Loyverse developed a point of sale and inventory management software to turn a smartphone, tablet or traditional POS device into a powerful business management tool and portal into small business performance. On the surface, Loyverse might have been considered undistinguished from many other young POS software companies however it had several attributes that differentiated it. The software was available in 30+ languages. Leveraging a freemium SaaS monetization model to accelerate adoption, and a collaborative community of users (“Loyverse” means loyalty universe), the software was used by over 190,000 active merchants in 170 countries. The founder-led company was internally funded, had no debt and had reached financial break even.

Contact us today if you are ready to explore the strategic options that take your business to the next level!



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