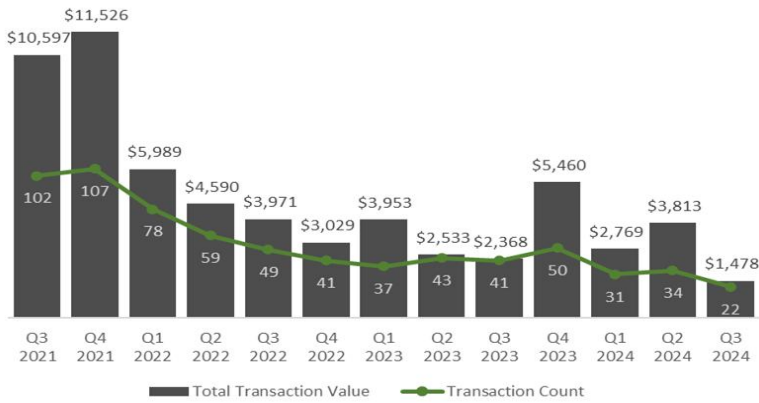


Q3 2024 Summary

- In Q3 2024, Software M&A activity experienced a noticeable slowdown, primarily attributed to the U.S. presidential elections. Uncertainty surrounding future government policies led to a more cautious approach among investors, stalling some deal activity.
- Despite the overall slowdown, transactions in Q3 emphasized advancements in customer experience. Companies sought data analytics solutions powered by AI to better understand and cater to consumer preferences, reflecting growing demand in this segment.
- With the likelihood of a declining interest rate environment, valuations are expected to rise, creating a more favorable market for transactions. As capital becomes cheaper, both transaction counts and total transaction values are anticipated to increase in the near term.
- M&A activity in the Software sector is projected to see significant growth in Q1 and Q2 2025. Venture capital and private equity firms have accumulated substantial capital reserves, positioning themselves to capitalize on opportunities as the market environment stabilizes.

U.S. Middle Market Software M&A Activity

Total Transactions & Transaction Value (\$M)



Trends

- M&A activity in Q3 2024 dropped significantly, down 58% compared to the four-year average.
- While the average transaction size in Q3 2024 was 13% lower than the four-year average, it showed a 15% year-on-year increase, signaling a shift toward larger deals.
- Large investments occurred in Cryptocurrency Mining, AI, and Cloud based services.
- Many VC & PE firms are arming themselves with capital for future investment.

Total Transaction Value vs. Avg. Transaction Value (\$M)



Reading Between the Lines

- The slowdown in M&A activity, coupled with a decline in average transaction size, indicates that investors are adopting a wait-and-see approach.
- Forecasts for 2025 point to a declining interest rate environment, which is expected to lead to higher company valuations.
- New government policies aimed at promoting investments in AI infrastructure and development are set to be a major catalyst for M&A growth in the coming year.
- The combination of a more favorable macroeconomic environment and supportive policy measures will likely spark a resurgence in M&A activity.

Top Five Software Transactions – Q3 2024

Sector	Target	Buyer	Transaction Value (\$M)
Artificial Intelligence	AMELIA	SoundHound Inc.	\$248
Supply Chain Management	supplypike	SPS COMMERCE	\$212
Cloud Software	ACQUEON	Five9	\$168
Media & Entertainment	WORLD CONNECT	TMTG	\$162
Cryptocurrency Mining		R I O T	\$140

Source: Capital IQ