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Key takeaways:

- Enterprise SaaS M&A has stabilized and begun to show early signs of an upward inflection, particularly in deal count, over the past several quarters. Meanwhile, deal value remains restrained by a combination of lower valuations and more limited disclosures.
- PE buyouts and LBOs have been a greater proportion of this recovery in deal count, eclipsing the activity by corporate M&A, which remains restrained even compared to pre-pandemic levels. Our estimated buyout and LBO deal count in Q1 2024, totaling 59 deals, is slightly above the estimated deal counts achieved in the prior peaks of Q4 2020 (56 deals) and Q1 2021 (53 deals), while the number of M&A transactions has fallen to about 20% below pre-pandemic levels.
- Since 2018, the largest portion of enterprise SaaS M&A has been from VC-backed companies (1,342 transactions, 37.5% of the total), which are typically the smallest deals, averaging just \$140.5 million per transaction. On the other end of the spectrum is the M&A of PE-backed and publicly held companies, which totaled \$360.2 billion and \$356.8 billion, respectively, in deal value since 2018, averaging \$553.3 million per PE-backed transaction and \$980.3 million per publicly held transaction.
- The ERP and CRM segments are overrepresented in both deal value and deal count over the past five years since 2018. Among all M&A transactions since 2018, ERP transactions are 39.6% of total deal value (\$415.2 billion) and 38.6% of total deal count (1,382 deals). Similarly, CRM transactions are 26.3% of total deal value (\$273.3 billion) and 26.8% of total deal count (959 deals).

With this report, we are launching regular updates of M&A activity across the enterprise software-as-a-service (SaaS) sector. Enterprise SaaS is a broad horizontal sector united by its focus on providing business solutions. These can be as specific as bespoke solutions for specific industries, such as healthcare customer management and care software, or as broad as sales and business intelligence services that can be used by any enterprise regardless of sector, geography, or customer base. This creates a huge total addressable market for companies to pursue, exemplified by massive public companies including Microsoft, Salesforce, and many more.

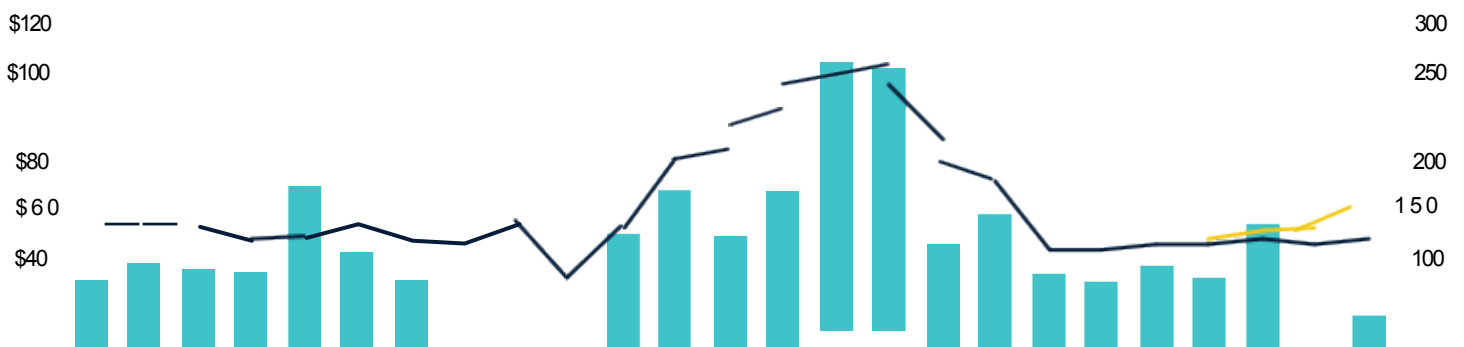
Thus, enterprise SaaS encompasses a massive space for M&A by both PE and corporate acquirers. We have classified more than 12,000 SaaS companies over the past five years and created a taxonomy consisting of six segments: analytic platforms (AP), customer relationship management (CRM), enterprise resource planning (ERP), supply chain management (SCM), knowledge management systems (KMS), and other application software (OAS).

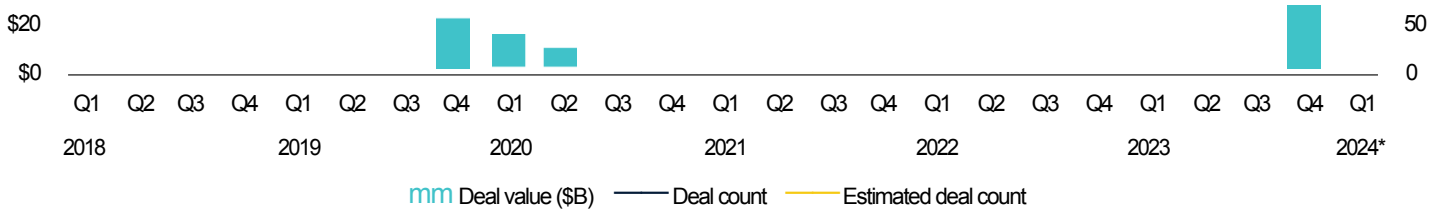
Overall, we have seen total quarterly deal values stabilize over the past several quarters and early signs of an upward inflection—there has been a steady increase in quarterly deal counts, particularly for our estimated deal count, which presumes additional deal details will be revealed in time.

This recovery is largely driven by PE buyouts and leveraged buyouts (LBOs), especially since the recent rate increases by the Federal Reserve (the Fed) stabilized at 5.25% to 5.50% in July 2023. In fact, our estimated deal count for Q1 2024 (59 deals) is slightly above the deal counts achieved in the prior peaks of Q4 2020 and Q1 2021, which came in at 56 and 53 deals, respectively.

On the other hand, corporate M&A deal counts have stabilized to levels last seen in the pre-pandemic years of 2018 and 2019, with just a slight increase over the most recent quarters. Deal valuations for corporate transactions have remained suppressed, nearing even the low levels of Q1 and Q2 of 2020.

Enterprise SaaS M&A activity by quarter





Source: PitchBook • Geography: Global • *As of March 31, 2024

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