

CONVERGING SOFTWARE AND SERVICES DRIVES M&A IN APPLICATION DEVELOPMENT MARKET

APPLICATION DEVELOPMENT & DEPLOYMENT SECTOR UPDATE | DECEMBER 2023



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Application Development & Deployment Converging Software and Services Drives M&A in Application Development Market

KEY SECTOR TAKEAWAYS

Capstone Partners' Technology, Media & Telecom (TMT) Group is pleased to share its Application Development (AppDev) & Deployment report. Despite a slowdown in merger and acquisition (M&A) activity in the broader market, sector dealmaking year-to-date (YTD) has reached a record high. Robust transaction volume in the sector can be attributed to heightened demand for converged information technology (IT) services and software solutions as acquirers look to expand offerings and gain market share. Several additional report takeaways are outlined below.

1. The lion's share (44.8%) of TMT M&A advisors polled forecasted deal volume to rise in 2024 compared to 2023, as found in the Capstone Partners & IMAP 2023-2024 Trends in Global M&A Survey.
2. Year-to-date, M&A activity in the sector has increased 57.6% year-over-year (YOY), a stark contrast to the 24% decline witnessed in the broader M&A market over the same period.
3. Accelerated dealmaking in the sector has largely been driven by acquirers and investors looking to converge software and service capabilities to deliver new offerings in development and operations (DevOps) and development, security, and operations (DevSecOps).
4. Software-as-a-Service (SaaS) providers have particularly garnered heightened buyer interest due to the scalability of the technology.
5. The middle market has continued to yield considerable amounts of AppDev & Deployment sector M&A activity in YTD 2023, comprising 88.9% of disclosed transactions.
6. Through YTD, take-private deals have proliferated in the sector as turbulent public market conditions have spurred many public players in the space to pursue private equity backing.
7. Contrary to the broader market, sector venture capital funding has risen YOY through YTD as firms have increasingly invested in advanced technology such as artificial intelligence (AI) and machine learning (ML).

Capstone Partners has developed a full suite of corporate finance solutions, including, financial advisory services, merger and acquisition advisory, debt advisory, and equity capital financing to help privately owned businesses and private equity firms navigate through each stage of a company's lifecycle.

To learn more about Capstone's wide range of advisory services and AppDev & Deployment sector knowledge, please [contact us](#).

SAAS ADOPTION PROPELS DEVOPS AND DEVSECOPS DEMAND

The AppDev & Deployment sector has remained a bright spot in the capital markets through YTD, outperforming the broader market in both M&A and venture capital activity. Accelerated dealmaking in the space has largely been driven by acquirers and investors looking to converge software and service capabilities to deliver DevOps and DevSecOps offerings, capitalizing on SaaS adoption trends. Of note, 66% of IT professionals polled hosted more than 25% of applications on cloud environments in 2023, up from 35% in 2022 and 15% in 2021, according to Synopsys’ 2023 DevSecOps Survey.¹ This trend has necessitated the automation of DevOps and DevSecOps functions, leading to heightened investment and integration of software tools to streamline application development, security, and deployment. As a result, both private and public participants with converged offerings have experienced robust attention in the M&A market.



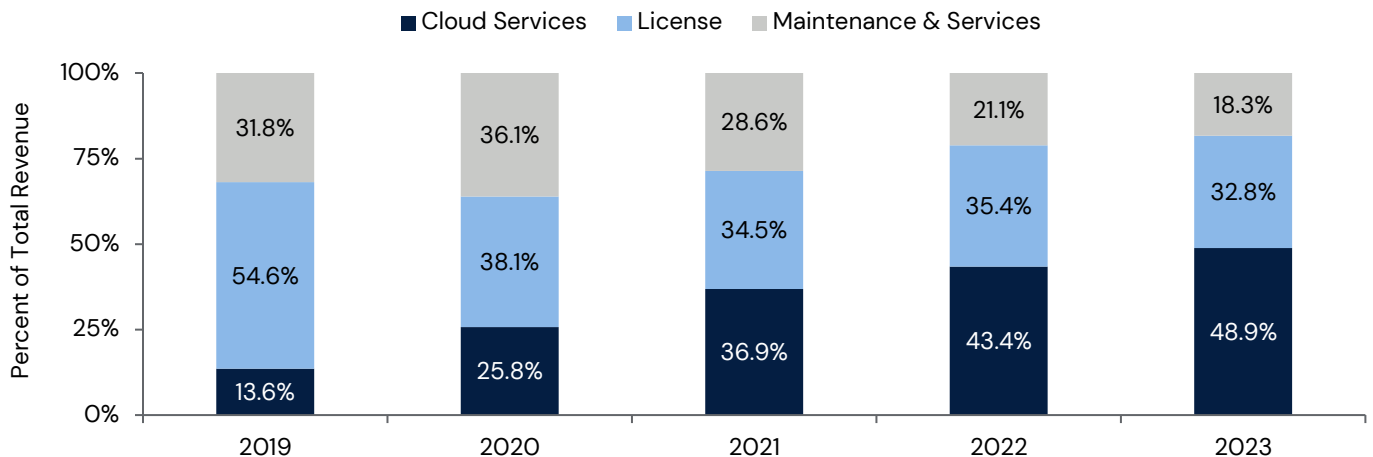
**David DeSimone,
Managing Director**

“The resilience of M&A activity in the AppDev & Deployment sector, as well as the convergence of services and software providers, speaks to the fundamental impact of cloud-based data accessibility, infrastructure management, and IT security, as well as the applications required to maintain these enterprise assets.”

Splunk (Nasdaq:SPLK) has been at the forefront of SaaS adoption and converged offerings since its founding in 2003 through its cloud-first model. Splunk develops and markets cloud services and licensed software solutions in the U.S. and internationally. In 2022, Splunk made significant enhancements to its DevSecOps strategy, launching cloud-based secure production applications Splunk Infrastructure Monitoring and Splunk Enterprise Security. As a result, the company’s Cloud Services segment revenue increased 27.9% YOY in the nine-month period ending October 31, 2023, according to the company’s latest earnings release.² The culmination of strong revenue gains and market-leading offerings positioned Splunk as an optimal sell-side candidate, leading to Cisco Systems’ (Nasdaq:CSCO) announcement to acquire the company for an enterprise value of \$28.5 billion, equivalent to 7.4x EV/Revenue (September). The transaction marks the largest sector acquisition in the past five years, demonstrating buyers’ appetite to consolidate leading players with converged offerings, scale, and market share.

Splunk’s Cloud Services Segment Yields Increasingly Significant Revenue Contributions

Since the launch of Splunk’s Cloud Services segment in 2019, the business unit has comprised an increasingly significant portion of the company’s total revenue mix, establishing a strong position in its sale to Cisco Systems.



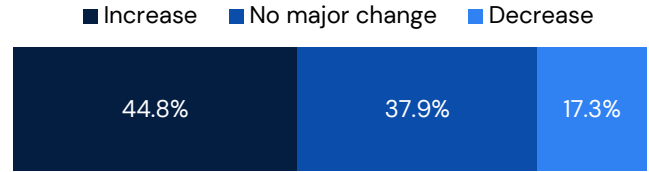
*Note: Data represents last nine-month period ending October 31
Source: Splunk and Capstone Partners*

2024 TMT INDUSTRY M&A MARKET FORECASTS

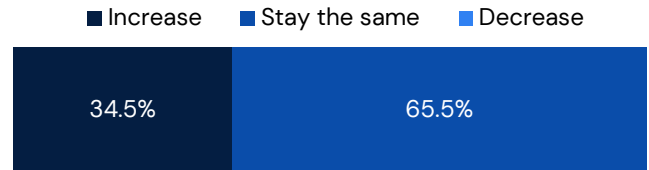
The TMT industry is slated to experience robust M&A activity in 2024, with the AppDev & Deployment sector serving as a significant contributor to dealmaking activity. Of note, the lion’s share (44.8%) of TMT M&A advisors polled forecasted deal volume to rise in 2024 compared to 2023, as found in the Capstone Partners & IMAP 2023–2024 Trends in Global M&A Survey. In addition, only 17.3% of TMT advisors surveyed projected YOY transaction volume declines for 2024. Advisors’ optimism for deal flow in the industry is likely driven by the strong presence of private equity acquirers, with all TMT advisors surveyed expecting sponsor activity to rise or remain the same in 2024.

Contrary to the broader M&A market, transaction pricing in the space is expected to remain strong. Nearly two-thirds of total advisors surveyed indicated that the TMT industry is most likely to receive the highest M&A valuations in 2024, matching industry valuation rankings from 2023 and 2022.

TMT M&A Volume Growth Expectations, 2024 Compared to 2023

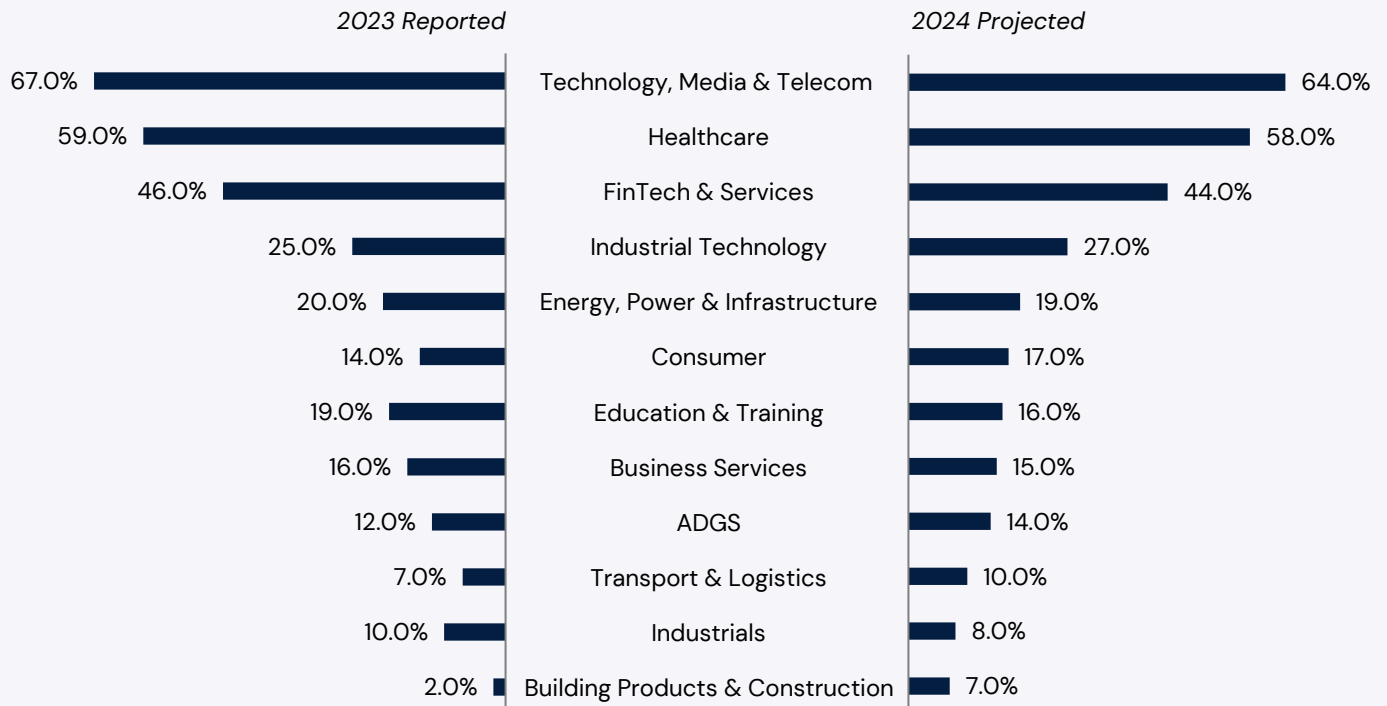


TMT Sponsor Activity Forecasts, 2024 Compared to 2023



Source: Capstone & IMAP 2023–2024 Trends in Global M&A Survey
TMT Sample Size (N): 29

Industries with the Highest M&A Valuations



Source: Capstone & IMAP 2023–2024 Trends in Global M&A Survey
Total Sample Size (N): 100



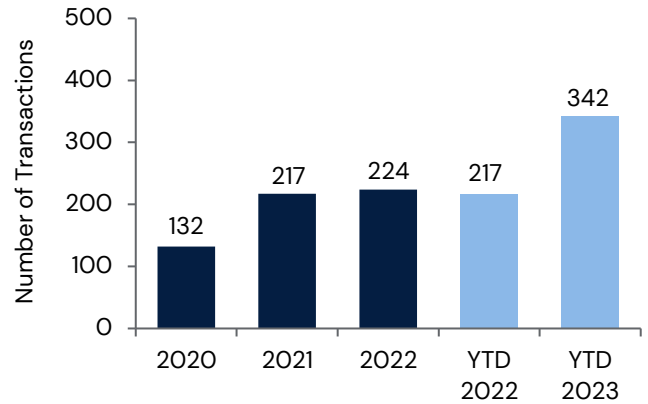
M&A ACTIVITY REACHES NEW HEIGHTS IN YEAR-TO-DATE 2023

M&A activity in the AppDev & Deployment sector has reached a record high in YTD 2023 with 342 transactions announced or completed. This represents a 57.6% increase compared to the prior year period. In comparison, deal volume in the broader M&A market has declined 24% YOY through YTD 2023. A persistent strategic and private equity buyer pool has contributed to elevated levels of sector M&A activity, with both buyer groups engaging in competitive bid processes to capitalize on digital transformation tailwinds. Strategic buyers have continued to account for the majority (67.3%) of sector M&A transactions to-date, led by private strategics (46.8% of deals YTD) vertically integrating software and service providers to capture additional revenue opportunities in both segments of the market. Due to a difficult lending environment, sponsors have mainly focused on add-on deals (23.7%), engaging in smaller tuck-in acquisitions to enhance portfolio businesses with advanced cloud computing offerings and AI and ML application development capabilities.

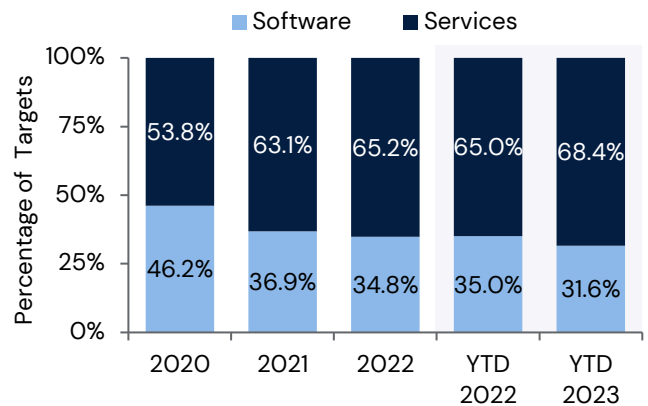
The Services segment has continued to account for the majority (68.4%) of sector M&A targets YTD, led by outsourced IT providers, custom application development businesses, and digital and cloud transformation services providers. The Software segment (31.6% of YTD M&A targets) has attracted strong acquirer interest from strategics and sponsor-backed portfolio companies, with buyers typically targeting segment participants within a specific technology stack such as Microsoft Dynamics 365 and Azure. Capstone expects the Software segment to gain heightened M&A attention in 2024 as services providers look to converge offerings, fueling acquisition appetite in the SaaS subsegment.

Average M&A purchase multiples in the AppDev & Deployment sector have remained strong as buyers have demonstrated a willingness to acquire scalable technology products and services providers with enterprise client exposure. Through YTD, the average Software segment purchase multiple has amounted to 6.0x EV/Revenue compared to 6.9x EV/Revenue in the prior year period. M&A multiples in the Services segment have averaged 12.5x EV/EBITDA in YTD 2023, rising nearly four turns compared to YTD 2022 (8.6x EV/EBITDA) and falling just short of the record high in full year 2021 (12.7x EV/EBITDA).

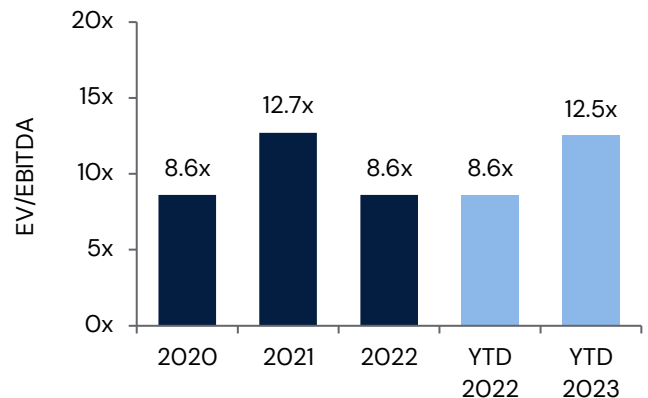
Sector Deal Volume in Year-to-Date Surpasses Historical Levels



Services Targets Comprise Majority of Sector M&A Activity



Average Services Segment M&A Multiples Spike Year-to-Date



Year-to-date (YTD) ended November 25
Source: Capital IQ, PitchBook, FactSet, and Capstone Partners

COGNIZANT CONTINUES MIDDLE MARKET ROLL UP STRATEGY IN 2023



Ticker: Nasdaq:CTSH
Headquarters: Teaneck, New Jersey
Markets: IT Consulting & Software Development
LTM Revenue: \$19.4 Billion
LTM EBITDA: \$3.4 Billion
Market Capitalization: \$35.7 Billion

Company Performance

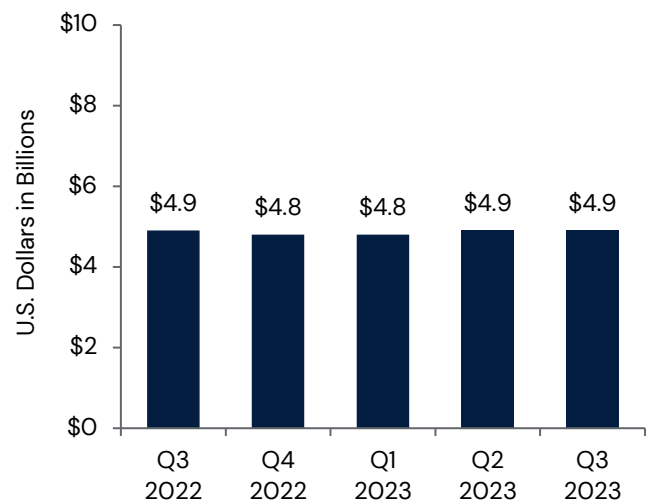
Cognizant Technology Solutions, a leading IT consulting and software development services provider, has demonstrated significant financial stability while many of its competitors have reported declining revenues. Of note, Cognizant captured between \$4.8 billion and \$4.9 billion in quarterly revenue over the last five quarters as of Q3 2023, according to the company’s Q3 2023 investor presentation.³ Cognizant’s steady revenue generation can be attributed to its recent acquisitions in the AppDev & Deployment sector and heightened demand in its Communications, Media & Technology segment, which experienced a YOY revenue increase of 8.2% in Q3 2022.

Acquisition Strategy

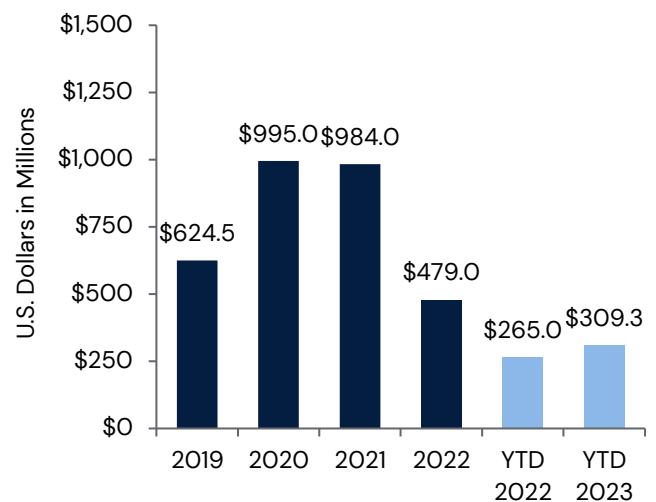
Since Cognizant’s acquisition of TZ US Parent in 2014 for \$2.7 billion, the company has exclusively focused on middle market targets to gain scale, expand geographic presence, and bolster service and technology offerings. This strategy has enabled Cognizant to diversify its capital allocation between share repurchases, dividend payments, and acquisitions while also maintaining a healthy balance sheet, protecting cash flow amid share price fluctuations.

From 2019 through YTD, Cognizant has completed 23 middle market acquisitions in the AppDev & Deployment space, totaling \$3.4 billion in disclosed enterprise value. These acquisitions have added significant synergistic and revenue opportunities, contributing 110 basis points to Cognizant’s Q3 2023 revenue, according to the company’s Q3 2023 investor presentation. This includes Cognizant’s acquisition of Mobicca, a provider of software development and integration services, in January 2023 for \$309.3 million.

Cognizant’s Total Generated Revenue



Cognizant’s Total Deployed M&A Capital



Year-to-date (YTD) ended November 25
 Source: Capital IQ, FactSet, PitchBook, Cognizant, and Capstone Partners

MIDDLE MARKET BUSINESSES ATTRACT STRONG BUYER INTEREST

The middle market (less than \$500 million enterprise value) has continued to yield considerable amounts of AppDev & Deployment sector M&A activity in YTD 2023, comprising 88.9% of disclosed transactions. This represents an uptick from YTD 2022 levels (81.8%), illustrating the strength of middle market sector players engaging in sell-side transactions. Public strategic buyers accounted for the majority (57.5%) of middle market AppDev & Deployment deals to-date, followed by private strategics (35%), private equity platform deals (5%), and sponsor add-on engagements (2.5%). Profitability, recurring revenue, and asset-light business models have continued to be key investment criteria among buyers in the AppDev & Deployment middle market. Outlined below are several notable middle market transactions in the sector.



Calian Group (TSX:CGY) entered into a definitive agreement to acquire Decisive Group in November 2023 for an enterprise value of \$54.3 million. Decisive Group designs, develops, and maintains enterprise IT infrastructure and hybrid cloud environments. The company also offers value-added cybersecurity services. The transaction serves as a geographic expansion play for Calian, broadening its reach throughout Canada and the U.S. “The addition of Decisive complements and rounds out our current IT and Cyber Solutions (ITCS) portfolio in North America. Their addition means we now have a strong base of managed services, enterprise infrastructure, and on-demand resources in both Canada and the U.S.,” said Calian CEO, Kevin Ford, in a press release.⁴

In August 2023, IT consulting and software development firm Cegeka Groep announced its acquisition of Computer Task Group (Nasdaq:GTC) for an enterprise value of \$182 million, equivalent to 0.6x EV/Revenue and 10.7x EV/EBITDA. Under terms of the agreement, GTC stockholders will receive \$10.50 per share, representing a 44.8% premium to the company’s trailing 90-day average stock price as of August 7, 2023, according to a press release.⁵ GTC operates as a full-service digital transformation company, offering application development, testing, and deployment solutions. The transaction is anticipated to add complementary services to Cegeka’s suite of offerings, creating a market leader in Europe and North America.



DigitalOcean (NYSE:DOCN), a cloud computing platform provider for software developers, acquired Paperspace in July 2023 for an enterprise value of \$109.6 million. Paperspace provides Cloud Infrastructure-as-a-Service (ClaaS) solutions for highly scalable applications. The acquisition and integration of Paperspace’s technology is expected to extend DigitalOcean’s offerings, enabling customers to efficiently develop, test, and deploy AI and ML applications. Through the deal, Paperspace will gain access to DigitalOcean’s extensive documentation, tutorials, and support system, assisting in digital administrative efforts for AI application deployment. The transaction also expands the small enterprise client base for both businesses.

In May 2023, Octapharma announced its acquisition of SNP Schneider-Neureither & Partners (XTRA:SHF) for an enterprise value of \$333.3 million, equivalent to 1.7x EV/Revenue and 19.3x EV/EBITDA. SNP provides software solutions, including application lifecycle management, cloud migration, and application testing, for digital transformation projects. Octapharma, a pharmaceutical company based in Switzerland, has pursued the acquisition to vertically integrate SNP’s cloud and data migration capabilities and revamp its legacy IT systems. In addition, Octapharma plans to market SNP’s software offerings to other healthcare businesses across Europe and the U.S., generating additional revenue streams from licensing fees.

TURBULENT PUBLIC MARKET CONDITIONS SPUR TAKE-PRIVATE DEALS

Through YTD 2023, there have been five take-private transactions completed by private equity firms in the AppDev & Deployment sector compared to two take-private deals in the prior year period. The aggregate enterprise value of these acquisitions has amounted to \$11.5 billion, representing 25% of total disclosed sector deal value in YTD 2023. Although the public equity markets have shown signs of improvement in recent months, the turbulent market conditions witnessed in much of 2022 and 2023 have spurred many public players in the space to pursue private equity backing and delist from exchanges, fortifying shareholder value. Despite a difficult transaction financing environment, large private equity firms with sufficient dry powder have capitalized on platform deal opportunities, exemplified by the notable take-private deals outlined below.



In July 2023, private equity firms Francisco Partners Management and TPG Capital acquired New Relic (NYSE:NEWR) for an enterprise value of \$6.6 billion, equivalent to 6.9x EV/Revenue. The purchase price represents a ~26% premium to New Relic's 30-day average closing share price ending July 28, 2023, according to a press release.⁶ New Relic's platform supports custom application development through the collection of telemetry data and its open-source development ecosystem. The transaction has enabled New Relic to further implement AI in its technology offerings, providing software developers with a unified platform to proactively manage mission-critical applications. The deal also bolsters TPG's position in the Digital Infrastructure Management space.

Private equity firm Silver Lake Technology Management acquired Software AG (XTRA:SOW) in April 2023 for an enterprise value of \$2.8 billion, equivalent to 2.7x EV/Revenue and 21.2x EV/EBITDA. The transaction has afforded stakeholders \$32.93 per share, marking a ~53% premium to Software AG's closing share price on April 20, 2023, according to a press release.⁷ Software AG provides software development, licensing, maintenance, and IT services globally. As a long-time minority investor in Software AG, Silver Lake has been instrumental in transitioning the company to a SaaS-first business. With majority control, Silver Lake plans to enact a buy-and-build strategy, bolstering Software AG's SaaS offerings through add-on acquisitions.



In February 2023, Francisco Partners Management acquired Sumo Logic (Nasdaq:SUMO) for an enterprise value of \$1.4 billion, representing a revenue multiple of 4.6x. Under the transaction terms, Sumo Logic stockholders have received \$12.05 per share, representing a ~57% premium to the company's closing share price on January 20, 2023, according to a press release.⁸ Sumo Logic offers a SaaS analytics platform, enabling software engineers to reliably and securely develop cloud-native applications. Sumo Logic's scalable platform and recurring revenue model piqued Francisco Partners' attention, providing the sponsor with a strong platform business in the Cloud Transformation segment and bringing its total current holdings to 87 portfolio companies.

Initially announced in August 2022, HarbourVest Partners and Potentia Capital completed the acquisition of Nitro Software (ASX:NTO) in March 2023 following multiple bidding rounds. The final enterprise value of the transaction amounted to \$338.9 million, equivalent to 5.1x EV/Revenue. Nitro provides document productivity software to accelerate digital transformations in a wide array of industries. Prior to the acquisition, Nitro had generated 74% of its total revenue mix from subscriptions, according to the company's last investor presentation in Q3 2022.⁹ In addition, 91% of the company's Business unit revenue was derived from subscriptions, demonstrating the prevalence of recurring revenue visibility in private equity firms' acquisition criteria.



SELECT M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise	EV/LTM	
				Value (mm)	Revenue	EBITDA
11/20/23	Hostersi	bValue Angels Management	Designs server infrastructure, cloud computing, and server management solutions.	-	-	-
11/16/23	WaveDancer (Nasdaq:WAVD)	Firefly Neuroscience	Develops IT systems and digital transformation solutions.	-	-	-
11/14/23	Simeon Cloud	CoreView	Designs cloud configuration solutions for Microsoft 365 users.	-	-	-
11/09/23	Decisive Group	Calian Group (TSX:CGY)	Develops enterprise IT infrastructure and hybrid cloud systems.	\$54.3	-	-
11/07/23	ActiveState Software	Vertu Capital	Provides software application development and deployment tools.	-	-	-
11/07/23	ESI Group (ENXTPA:ESI)	Keysight Tech. (NYSE:KEYS)	Develops end-to-end virtual prototyping software and solutions.	\$920.2	6.5x	67.0x
11/07/23	Stebr	Nowigence (OTCPK:NOWG)	Provides custom software development services.	-	-	-
10/26/23	Payzer Holdings	WEX (NYSE:WEX)	Offers custom web development services.	\$261.0	-	-
10/24/23	Manta Software	IBM (NYSE:IBM)	Develops metadata management solutions and platforms.	-	-	-
10/17/23	Vertical Applications	Mindpetal Software Solution	Provides application development, data and analytics, and intelligent automation services.	-	-	-
10/05/23	Cloudnexa	nClouds	Offers cloud services and managed solutions.	-	-	-
10/04/23	Pure-Systems	PTC (Nasdaq:PTC)	Provides software development solutions.	-	-	-
09/25/23	Bluware	Computer Modelling (TSX:CMG)	Offers advanced computing technologies for seismic data and software development services.	\$30.0	1.3x	-
09/21/23	Splunk (Nasdaq:SPLK)	Cisco Systems (Nasdaq:CSCO)	Develops and markets cloud services and licensed software solutions in the U.S. and internationally.	\$29,414.7	7.7x	-
09/19/23	GotoAdmins Group	Bianor Holding (BUL:BNR)	Provides personalized cloud infrastructure management services and DevOps methodologies.	-	-	-
08/09/23	Computer Task Group (Nasdaq:CTG)	Cegeka Groep	Offers software development services and digital workspace solutions.	\$182.0	0.6x	10.7x
07/12/23	CertEurope	InfoCert	Develops applications for securing exchanges of electronic documents.	\$84.1	-	-
07/06/23	Paperspace	DigitalOcean (NYSE:DOCN)	Offers a high-performance cloud computing and machine learning development platform.	\$109.6	-	-
06/01/23	Exprivia (BIT:XPR)	Abaco Innovazione	Develops and installs integrated network systems.	\$98.2	-	3.7x
05/17/23	SNP Schneider (XTRA:SHF)	Octapharma	Designs software for data processing and application deployment.	\$333.3	1.7x	19.3x
05/04/23	FX Innovation	The Bell Telephone Company	Provides cloud infrastructure and monitoring architecture development solutions.	\$122.5	-	-
04/24/23	K-Businesscom	Cancom (XTRA:COK)	Offers digital migration services.	\$222.1	-	7.2x
04/21/23	Software AG (XTRA:SOW)	Silver Lake Technology	Provides software development, licensing, maintenance, and IT services globally.	\$2,689.1	2.5x	17.2x

Source: Capital IQ, PitchBook, FactSet, and Capstone Partners



BUYER UNIVERSE

Capstone has built relationships with and tracked buyers that have been highly acquisitive in the AppDev & Deployment sector, particularly those that have completed notable transactions. Our sector expertise and network provides us with unique insights into this buyer universe and sector and growth drivers for the companies within it.

Leading Strategic Buyers



Leading Financial Buyers

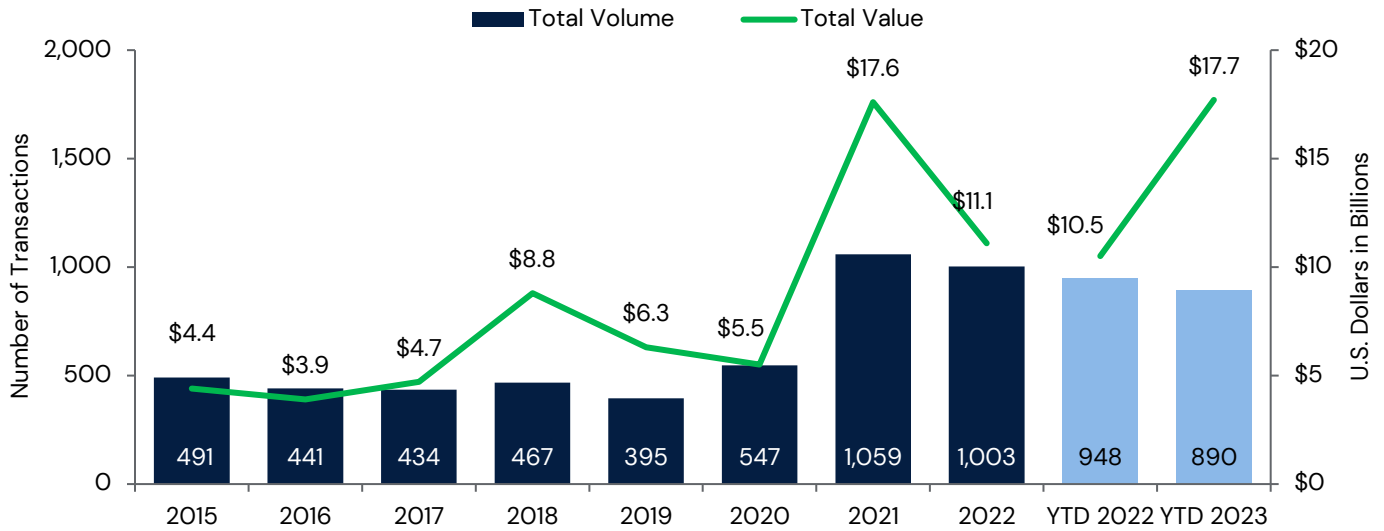


Source: Capstone Partners

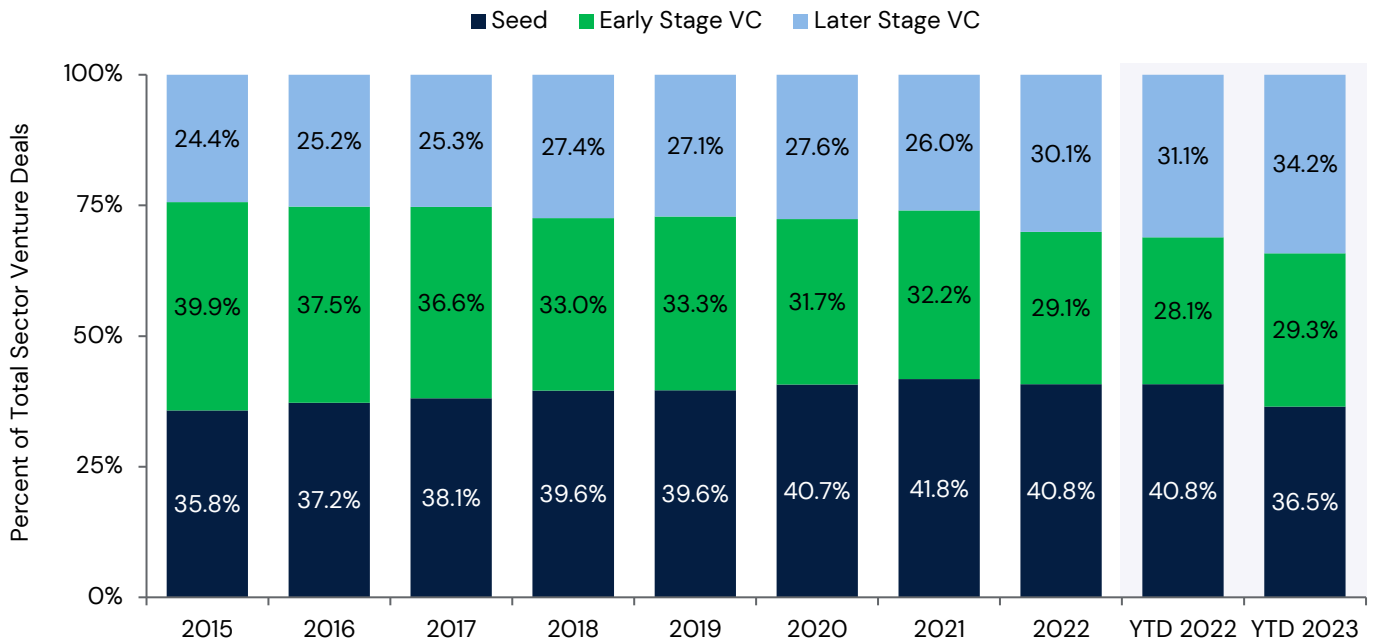
VENTURE CAPITAL ACTIVITY

Capital invested in the AppDev & Deployment sector by venture capital firms has rebounded in YTD 2023, already surpassing the previous high in full year 2021. To-date, total sector deal value has reached \$17.7 billion, marking an increase of 68.6% compared to the prior year period. Elevated venture capital funding can be attributed to heightened demand for converged software and service offerings as DevOps has become deeply entrenched in various end markets, facilitating automated, specialized application solutions. Driven by volatile capital markets conditions, venture capital firms in the space have increasingly participated in later stage rounds to mitigate investment risk, resulting in a 6.1% YOY deal volume decline through YTD.

AppDev & Deployment Venture Capital Raises Spike Year-to-Date



Venture Capital Firms Increasingly Chase Later Stage Funding Rounds



Year-to-date (YTD) ended November 25
Source: PitchBook and Capstone Partners



APPDEV & DEPLOYMENT PUBLIC COMPANY DATA

Segment	% 52 Wk	Enterprise Value	EV / LTM		EBITDA
	High		Revenue	EBITDA	Margin
Application Lifecycle Management	98.5%	\$54,101.2	10.2x	33.9x	21.7%
Application Programming Interface	88.2%	\$4,679.0	2.0x	8.8x	20.7%
Architecture & Design	78.9%	\$87,079.3	9.0x	36.8x	31.4%
Collaboration	70.7%	\$8,633.3	4.4x	3.4x	28.4x
Development	83.4%	\$4,308.4	9.8x	NM	NA
Low-Code & No-Code	82.9%	\$57,854.3	4.8x	25.3x	16.5%
Multi-Segment Vendors	93.0%	\$611,636.7	7.3x	22.7x	29.9%
Performance Management	94.0%	\$25,007.7	14.5x	NA	13.7%
Rapid Application Development	72.0%	\$2,560.6	6.0x	17.6x	86.1%
Security	94.2%	\$24,486.9	8.6x	31.5x	17.1%
Testing Automation	94.1%	\$15,699.9	2.4x	9.5x	22.8%

Source: Capital IQ and Capstone Partners as of November 25, 2023

PUBLIC COMPANY DATA BY SEGMENT

Company	Price	% 52 Wk	Market Cap	Enterprise Value	LTM			EV / LTM	
	11/25/23	High			Revenue	EBITDA	Margin	Revenue	EBITDA
APPLICATION LIFECYCLE MANAGEMENT									
Nutanix, Inc.	\$40.83	98.1%	\$9,938.7	\$9,831.2	\$1,862.9	NM	NA	5.3x	NM
PTC Inc.	\$154.75	98.6%	\$18,453.1	\$20,054.0	\$2,097.1	\$591.0	28.2%	9.6x	33.9x
ServiceNow, Inc.	\$670.55	98.9%	\$137,164.4	\$132,418.4	\$8,474.0	\$1,297.0	15.3%	15.6x	NM
Mean		98.5%	\$55,185.4	\$54,101.2	\$4,144.6	\$944.0	21.7%	10.2x	33.9x
Median		98.6%	\$18,453.1	\$20,054.0	\$2,097.1	\$944.0	21.7%	9.6x	33.9x
APPLICATION PROGRAMMING INTERFACE									
Axway Software SA	\$25.80	97.5%	\$541.1	\$642.4	\$352.7	\$72.8	20.7%	1.8x	8.8x
Twilio Inc.	\$62.85	78.9%	\$11,378.5	\$8,715.5	\$4,102.6	NM	NA	2.1x	NM
Mean		88.2%	\$5,959.8	\$4,679.0	\$2,227.6	\$72.8	20.7%	2.0x	8.8x
Median		88.2%	\$5,959.8	\$4,679.0	\$2,227.6	\$72.8	20.7%	2.0x	8.8x

EV = enterprise value; LTM = last twelve months
 NM = not meaningful; \$ in millions except per share data

Source: Capital IQ and Capstone Partners as of November 25, 2023



PUBLIC COMPANY DATA BY SEGMENT (CONTINUED)

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	11/25/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
ARCHITECTURE & DESIGN									
Adobe Inc.	\$619.27	99.0%	\$281,953.6	\$278,533.6	\$18,886.0	\$7,161.5	37.9%	14.7x	38.9x
ANSYS, Inc.	\$297.23	84.6%	\$25,821.2	\$26,058.2	\$2,159.0	\$696.3	32.3%	12.1x	37.4x
Autodesk, Inc.	\$202.26	87.1%	\$43,235.8	\$43,710.8	\$5,346.0	\$1,281.0	24.0%	8.2x	34.1x
InVision Aktiengesellschaft	\$6.01	45.1%	\$13.4	\$14.6	\$16.5	NM	NA	0.9x	NM
Mean		78.9%	\$87,756.0	\$87,079.3	\$6,601.9	\$3,046.3	31.4%	9.0x	36.8x
Median		85.9%	\$34,528.5	\$34,884.5	\$3,752.5	\$1,281.0	32.3%	10.1x	37.4x
COLLABORATION									
Box, Inc.	\$25.93	74.1%	\$3,735.1	\$4,320.2	\$1,019.8	\$151.5	14.9%	4.2x	28.5x
DocuSign, Inc.	\$42.35	61.0%	\$8,605.1	\$8,040.0	\$2,654.1	\$275.5	10.4%	3.0x	29.2x
Zoom Video Communications, Inc.	\$65.55	77.0%	\$19,955.0	\$13,539.9	\$4,498.6	\$494.1	11.0%	3.0x	27.4x
Mean		70.7%	\$10,765.1	\$8,633.3	\$2,724.1	\$307.0	12.1%	3.4x	28.4x
Median		74.1%	\$8,605.1	\$8,040.0	\$2,654.1	\$275.5	11.0%	3.0x	28.5x
DEVELOPMENT									
GitLab Inc.	\$46.48	79.2%	\$7,190.5	\$6,252.5	\$502.3	NM	NA	12.4x	NM
JFrog Ltd.	\$27.10	87.6%	\$2,842.4	\$2,364.3	\$329.2	NM	NA	7.2x	NM
Mean		83.4%	\$5,016.4	\$4,308.4	\$415.8	NA	NA	9.8x	NA
Median		87.6%	\$2,842.4	\$2,364.3	\$329.2	NA	NA	9.8x	NA
LOW-CODE & NO-CODE									
Netcall plc	\$0.95	64.1%	\$151.7	\$121.0	\$45.8	\$5.4	11.7%	2.6x	22.6x
Pegasystems Inc.	\$51.79	87.4%	\$4,327.4	\$4,574.2	\$1,354.9	\$55.0	4.1%	3.4x	NM
salesforce.com, inc.	\$224.79	94.4%	\$218,720.7	\$220,224.7	\$33,071.0	\$8,897.0	26.9%	6.7x	24.8x
Temenos AG	\$79.57	85.6%	\$5,729.9	\$6,497.3	\$980.2	\$228.5	23.3%	6.6x	28.4x
Mean		82.9%	\$57,232.4	\$57,854.3	\$8,863.0	\$2,296.5	16.5%	4.8x	25.3x
Median		86.5%	\$5,028.6	\$5,535.8	\$1,167.5	\$141.7	17.5%	5.0x	26.6x

EV = enterprise value; LTM = last twelve months
 NM = not meaningful; \$ in millions except per share data

Source: Capital IQ and Capstone Partners as of November 25, 2023



PUBLIC COMPANY DATA BY SEGMENT (CONTINUED)

Company	Price	% 52 Wk	Market	Enterprise	LTM			EV / LTM	
	11/25/23	High	Cap	Value	Revenue	EBITDA	Margin	Revenue	EBITDA
MULTI-SEGMENT VENDORS									
Alphabet Inc.	\$136.41	96.6%	\$1,716,696.6	\$1,626,207.6	\$297,132.0	\$100,106.0	33.7%	5.5x	16.2x
Atlassian Corporation Plc	\$180.32	83.6%	\$46,533.2	\$45,540.2	\$3,705.0	NM	NA	12.3x	NM
Cisco Systems, Inc.	\$47.93	82.4%	\$194,762.4	\$179,589.4	\$58,034.0	\$18,823.0	32.4%	3.1x	9.5x
Hewlett Packard Enterprise	\$15.60	86.0%	\$20,012.7	\$31,357.7	\$29,655.0	\$5,669.0	19.1%	1.1x	5.5x
International Business Machines	\$155.57	99.6%	\$142,053.9	\$189,675.9	\$61,171.0	\$14,767.5	24.1%	3.1x	12.8x
Microsoft Corporation	\$378.61	99.5%	\$2,813,891.7	\$2,775,627.7	\$218,310.0	\$108,531.0	49.7%	12.7x	25.6x
Oracle Corporation	\$116.47	91.3%	\$319,055.1	\$396,384.1	\$50,962.0	\$19,712.0	38.7%	7.8x	20.1x
SAP SE	\$154.77	99.3%	\$180,187.7	\$178,789.7	\$34,031.5	\$6,147.0	18.1%	5.3x	29.1x
Synopsys, Inc.	\$543.53	98.9%	\$82,662.1	\$81,558.0	\$5,527.8	\$1,298.1	23.5%	14.8x	62.8x
Mean		93.0%	\$612,872.8	\$611,636.7	\$84,280.9	\$34,381.7	29.9%	7.3x	22.7x
Median		96.6%	\$180,187.7	\$179,589.4	\$50,962.0	\$16,795.3	28.3%	5.5x	18.2x
PERFORMANCE MANAGEMENT									
Datadog, Inc.	\$111.92	94.8%	\$36,771.7	\$35,318.0	\$2,008.1	NM	NA	17.6x	NM
Dynatrace, Inc.	\$52.05	93.2%	\$15,323.2	\$14,697.5	\$1,296.5	\$177.6	13.7%	11.3x	NM
Mean		94.0%	\$26,047.5	\$25,007.7	\$1,652.3	\$177.6	13.7%	14.5x	NA
Median		94.0%	\$26,047.5	\$25,007.7	\$1,652.3	\$177.6	13.7%	14.5x	NA
RAPID APPLICATION DEVELOPMENT									
Alteryx, Inc.	\$37.47	53.1%	\$2,689.6	\$3,340.6	\$920.4	NM	NA	3.6x	NM
Altium Limited	\$28.91	88.7%	\$3,814.3	\$3,626.1	\$263.3	\$95.2	36.1%	13.8x	38.1x
Appian Corporation	\$35.56	65.5%	\$2,604.0	\$2,713.3	\$525.8	NM	NA	5.2x	NM
IAR Systems Group AB (publ)	\$10.67	66.0%	\$145.6	\$133.4	\$44.4	\$83.6	188.2%	3.0x	1.6x
Progress Software Corporation	\$53.88	86.4%	\$2,347.3	\$2,989.5	\$674.6	\$230.0	34.1%	4.4x	13.0x
Mean		72.0%	\$2,320.2	\$2,560.6	\$485.7	\$136.3	86.1%	6.0x	17.6x
Median		66.0%	\$2,604.0	\$2,989.5	\$525.8	\$95.2	36.1%	4.4x	13.0x

EV = enterprise value; LTM = last twelve months
 NM = not meaningful; \$ in millions except per share data

Source: Capital IQ and Capstone Partners as of November 25, 2023



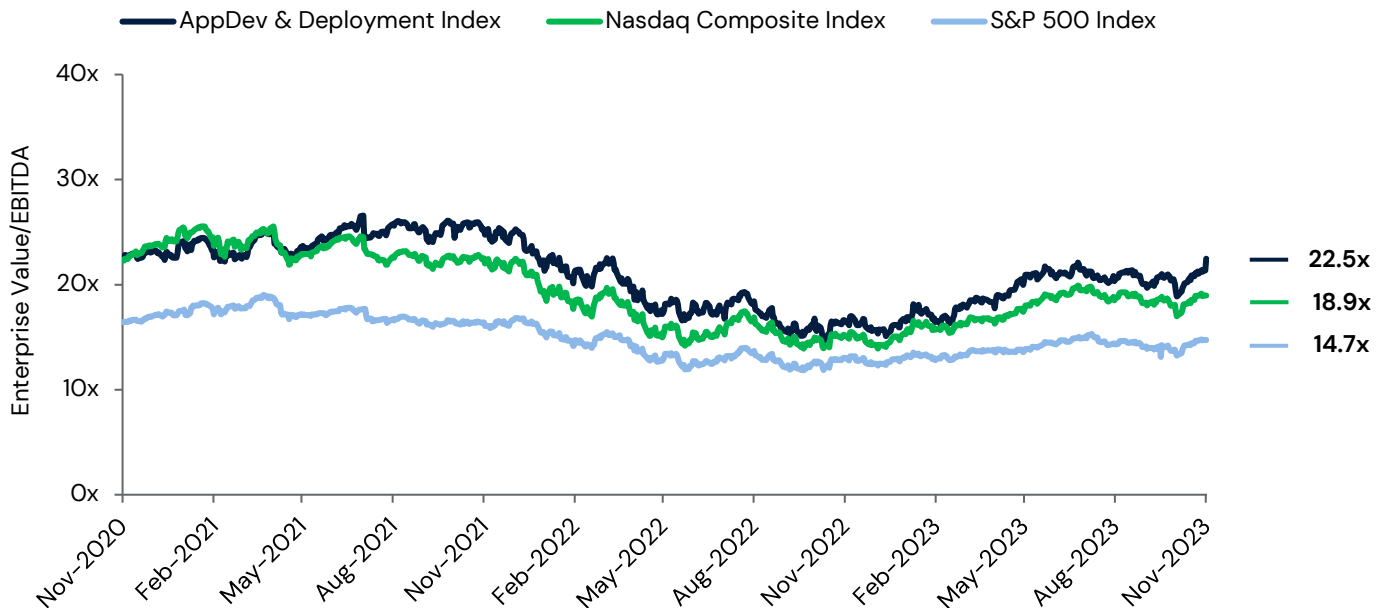
PUBLIC COMPANY DATA BY SEGMENT (CONTINUED)

Company	Price 11/25/23	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
SECURITY									
Palo Alto Networks, Inc.	\$269.09	99.7%	\$84,844.1	\$83,172.8	\$7,207.4	\$875.3	12.1%	11.5x	NM
Qualys, Inc.	\$181.46	98.9%	\$6,675.1	\$6,246.0	\$540.7	\$198.2	36.6%	11.6x	31.5x
Rapid7, Inc.	\$52.47	94.4%	\$3,224.1	\$3,924.4	\$756.9	\$18.2	2.4%	5.2x	NM
Tenable Holdings, Inc.	\$41.73	83.8%	\$4,879.7	\$4,604.4	\$770.0	NM	NA	6.0x	NM
Mean		94.2%	\$24,905.7	\$24,486.9	\$2,318.8	\$363.9	17.1%	8.6x	31.5x
Median		96.6%	\$5,777.4	\$5,425.2	\$763.5	\$198.2	12.1%	8.8x	31.5x
TESTING AUTOMATION									
Akamai Technologies, Inc.	\$113.75	99.6%	\$17,157.1	\$19,511.1	\$3,744.7	\$1,374.5	36.7%	5.2x	14.2x
Amdocs Limited	\$82.85	83.1%	\$9,861.3	\$9,969.3	\$4,887.6	\$1,025.3	21.0%	2.0x	9.7x
Cognizant Technology Solutions	\$70.77	97.3%	\$35,485.0	\$34,562.0	\$19,434.0	\$3,687.5	19.0%	1.8x	9.4x
SRA Holdings, Inc.	\$23.77	96.2%	\$296.2	\$198.7	\$298.1	\$43.7	14.6%	0.7x	4.6x
Mean		94.1%	\$15,699.9	\$16,060.3	\$7,091.1	\$1,532.7	22.8%	2.4x	9.5x
Median		96.8%	\$13,509.2	\$14,740.2	\$4,316.1	\$1,199.9	20.0%	1.9x	9.5x

EV = enterprise value; LTM = last twelve months
 NM = not meaningful; \$ in millions except per share data

Source: Capital IQ and Capstone Partners as of November 25, 2023

EBITDA Multiples in Capstone's AppDev & Deployment Index Outpace S&P 500 and Nasdaq



Source: Capital IQ and Capstone Partners as of November 25, 2023

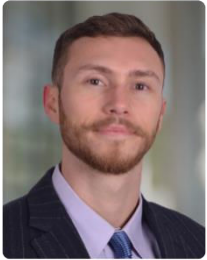
AppDev & Deployment Index includes: 3855, ADBE, ADSK, AKAM, ALU, ANSS, APPN, AXW, AYX, BOX, CRM, CSCO, CTSI, DDOG, DOCU, DOX, DT, FROG, GOOGL, GTLB, HPE, IAR B, IBM, IVX, MSFT, NET, NOW, NTNX, ORCL, PANW, PEGA, PRGS, PTC, QLYS, RPD, SAP, SNPS, TEAM, TEMN, TENB, TWLO, ZM

APPDEV & DEPLOYMENT REPORT CONTRIBUTORS



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David DeSimone rejoined Capstone’s Boston office in 2015 in the Technology & Telecom Group. David brings more than 20 years of investment banking experience to Capstone Partners and has assisted in the expansion of the firm’s technology sector coverage. David has worked on equity, debt and M&A transactions collectively valued at more than \$4.5 billion. Previously, David was a member of the Capstone team for nearly seven years where he led efforts in the Technology Solutions vertical as a Vice President and Director. Prior to rejoining Capstone, David served as a Principal at Bowen Advisors, an M&A and strategic advisory firm focused on technology companies including communications and healthcare IT. David has also worked as a Vice President at Boenning & Scattergood, a Philadelphia-based middle market investment bank, where he worked with clients across a variety of industries and developed the firm’s technology practice. He spent his early career working at Needham & Company, RobertsonStephens and J.P. Morgan.



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Max serves as Manager on Capstone’s Market Intelligence Team. He provides M&A insights, proprietary research analysis, and macroeconomic trends for C-suite middle market executives, specializing in the coverage of the Business Services, Financial Technology & Services, and Technology, Media & Telecom industries. Prior to joining Capstone, Max was an analyst at Lab42 Research, a Chicago-based market research firm. During his time at Lab42 Research, he specialized in the development, implementation, and analysis of proprietary research projects for clients in the Business Services, Consumer, Financial Services, Government, and Technology industries.



FIRM TRACK RECORD

Capstone has represented, and currently represents, numerous companies in the [TMT industry](#) and AppDev & Deployment sector. Sample recent engagements include the following:

CONFIDENTIAL

CORPORATE SALE
(IN MARKET)

SOFTWARE TESTING
PLATFORM

CONFIDENTIAL

CORPORATE SALE
(PRE-MARKET)

LOW-CODE, NO-CODE
PLATFORM

 **sentaca™**

HAS BEEN ACQUIRED BY



- Provides software development and Cloud transition services for the telecom industry

 **MATS®**
Easier done than said

HAS BEEN ACQUIRED BY



- Developer of a low-code software platform for enterprise applications

 **PRQA**
Programming Research

HAS BEEN ACQUIRED BY

PERFORCE

- Source code analysis software that improves code quality and security

 **VECTOR**
software

HAS BEEN ACQUIRED BY

VECTOR 

- Automated embedded software testing tools for safety-critical industries

 **doapp**
we do cool stuff

HAS BEEN ACQUIRED BY



- Mobile app development automation platform for media and sports

 **Test Direct**

HAS BEEN ACQUIRED BY

 **QUALITEST**
software testing experts

- Leading provider of independent IT testing and quality assurance services

 **zend** | The PHP Company

HAS BEEN ACQUIRED BY

 **RogueWave**
SOFTWARE

- Leader in end-to-end PHP web and mobile AppDev & Deployment solutions

 **NOLIO**

HAS BEEN ACQUIRED BY

 **ca**
technologies

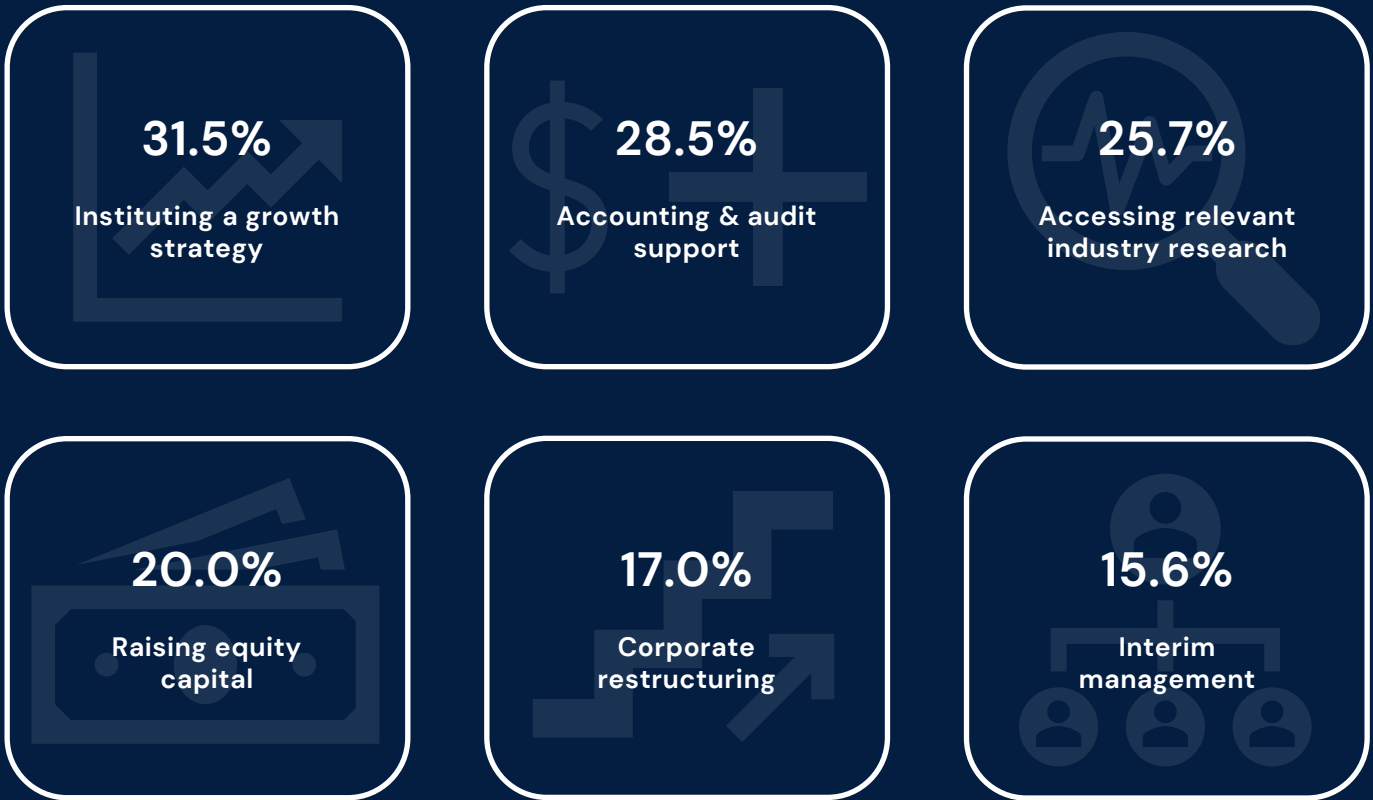
- Provides application service automation software for data center apps

CAPSTONE’S PROPRIETARY RESEARCH REVEALS TOP SERVICES IN DEMAND

The current stage and initiatives of a business often dictates which financial services are in demand. As the majority of CEOs polled in Capstone’s 2023 Middle Market Business Owners Survey indicated growth strategies are a priority for 2024, the lion’s share (31.5%) of owners anticipate a need for growth strategy support services. Similarly, 28.5% of owners require accounting and audit support to shore-up cash flows and establish financial stability. In addition, more than one-fourth of CEOs demonstrated an interest in accessing relevant industry research to keep up with emerging industry trends, complete competitor analyses, and track capital markets activity in their space.

Capstone has developed a full suite of [corporate finance solutions](#) to help privately owned businesses and private equity firms through each stage of the company’s lifecycle, ranging from growth to an ultimate exit transaction. In addition, we developed a specialty consulting practice to provide financial advisory services to companies experiencing distress or performance challenges. All of these capabilities are supported by 16 industry groups, an active sponsor coverage group, and a dedicated market intelligence team.

Top Financial Services Required by Business Owners in 2024



Question: Have you ever had, or do you anticipate having, a need for any of the following services?
 Source: Capstone Partners’ Middle Market Business Owner Survey, Total Sample Size (N): 435



ENDNOTES

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Disclosure

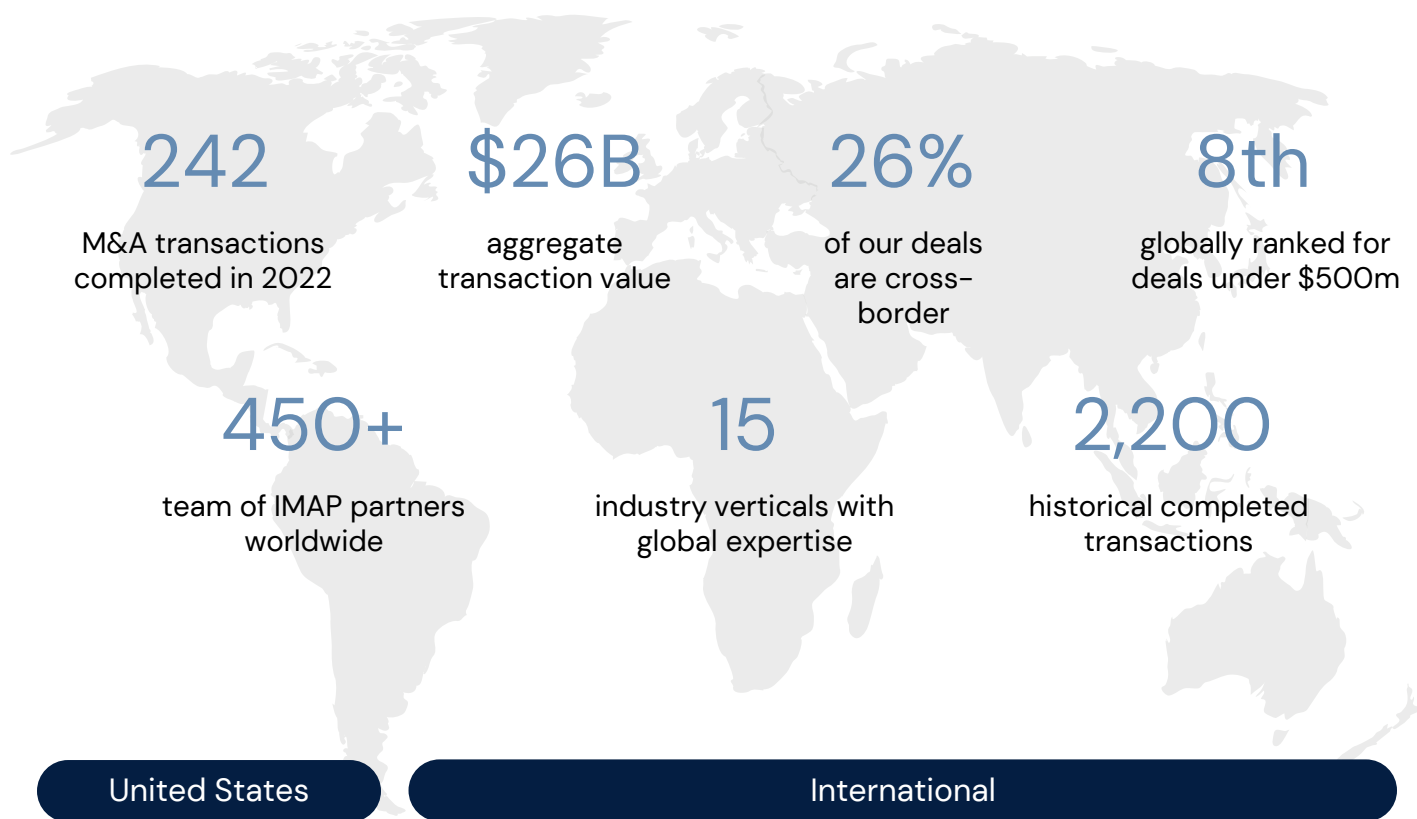
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CAPSTONE PARTNERS

Market Presence

With a long-established U.S. footprint, together with an international partner platform, we provide clients with broad expertise and access to key market relationships on a global basis. Our presence is backed by ~200 professionals in the U.S. with 450+ partners across 41 countries.



~200 professionals
8 offices

Boston · Chicago · Dallas ·
Denver · Detroit · Irvine ·
New York · Tampa

450+ partners
60+ offices in 41 countries

Asia: China · India · Japan · Thailand
Africa: Congo · Egypt · Ghana · Ivory Coast · Mauritius · Morocco · Nigeria · Senegal · South Africa
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