

ANNUAL SAAS REPORT 2025

Introduction

As the dust settles on another chaotic year in M&A, you may be wondering how the events of 2024 have impacted business valuations. Has SaaS continued to dominate? Is profitability still favored over growth? How will last year's trends influence your goals in 2025?

To help you answer these questions, this new annual edition of the multiples report will focus on the wider M&A market before zooming in to review trends on the Acquire.com marketplace. The report combines data from multiple sources including on-platform activity, user-reported data, and third-party reports.

If you're here for the average multiple ranges, please see the summary in the next section. Adjust these baseline figures up or down according to the specifics of the business. Every company is different, and the multiples report informs but doesn't set asking prices. If in doubt, ask our [M&A team for help](#).



About this report

The report is split into two sections, each focusing on a different segment of the market.

The first section, MicroSaaS, reports on SaaS startups up to \$1M TTM revenue. These are usually bootstrapped businesses with small teams and smaller budgets that are still chasing scale. As a result, buyers have adjusted valuations downward to account for the extra investment and risk.

The second section reports on SaaS startups with over \$1M TTM revenue. Since these startups differ so much from each other, the averages are not a good indicator of value. Instead, you'll find anonymized case studies to inform your pricing strategy.

A note on asking prices

Although we don't set asking prices, we do limit the multiples at which you can list MicroSaaS startups. First, to ensure the market can support your expectations, and second, to maintain buyer credibility. For larger businesses, where averages are less useful, ask our [M&A advisors](#) to estimate your valuation range.

Highlights

Here are a few headline numbers from the report that you might find interesting.

How active was the marketplace?



15%+

increase in on-platform messaging compared to the previous year. Despite lower risk tolerance, buyer appetite grew stronger for the best deals.

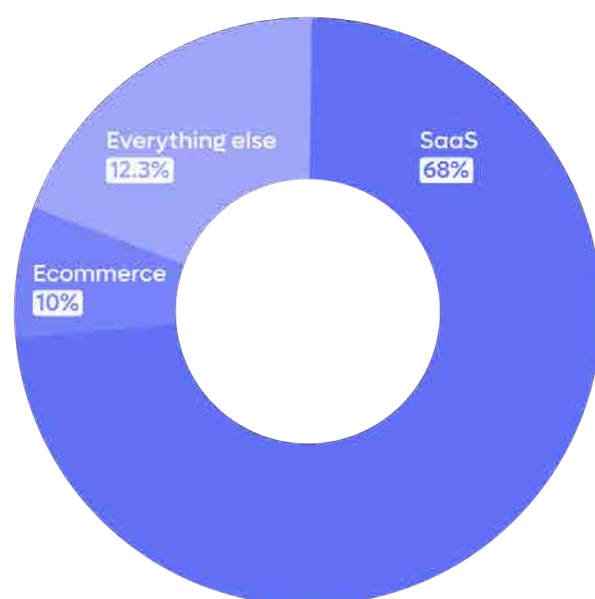
How much capital did buyers have to invest?

38% of offers in 2024 came from buyers with verified funds, a 27% increase from 2023.



What startup types did buyers like most?

Buyers favored SaaS startups, making up 68% of deals, followed by Ecommerce at 10%.



What factors influenced M&A in 2024?

It's hard to put into words the myriad factors affecting multiples in 2024, but we've consolidated most of them into a few highly influential buckets.

Inflation

Inflation is still rampant in many countries, putting downwards pressure on discretionary spending and upwards pressure on bank interest rates. When inflation is high, governments tend to increase interest rates making debt more expensive and harder to source, limiting acquirer buying power.

In September 2024, US inflation fell to its lowest rate in three years (2.4 percent), but has been steadily increasing again. Why? Possibly due to the cuts to the federal funds rate (the fourth was announced in December). Also, geopolitical instability and a newly-elected US president known for favoring tariffs might also be impacting the price of goods and services.

Inflation doesn't just hit customers' pockets, but it also impacts company revenue through rising operating costs and churn as customers seek savings elsewhere. In some ways, it can help companies innovate, pushing them toward efficiency and leaner operating models.

2024 was a tale of two halves. The total SaaS deal volume in H1 was incredibly slow – but H2 rocketed back to near historic levels. That momentum will likely continue into '25. But unlike previous years where investors were chasing growth at all costs – the premium deals now are for well run, growing, and profitable companies.



Andy Tryba

Co-founder & CEO of Ionic Partners

2024 private SaaS multiples are somewhat boosted by the relative mix of types of businesses transacting. For much of the year, only [the] A asset class segment of the market was open and trading at strong multiples still. Investor optimism is high coming into 2025 with lots of pent up activity starting to come to market. We see green shoots in other segments of the market with a return to pre-covid multiples for healthy businesses. Investors with an operational value add (vs heavy reliance on debt markets) are expecting a highly active year.



Nick Stoffregen

Partner at [Elsewhere Partners](#)

Federal funds rate (hikes and cuts)

Inflation today at 4.33 percent is less than half of what it was in 2022 when the US federal funds rate peaked at over 9 percent. Since the funds rate determines the cost of interbank borrowing, increases often spill over into credit products that entrepreneurs rely on to acquire and grow businesses.

In Q4 2024, the funds rate fell, making debt a little more affordable again, but it's unlikely we'll see it return to the historic lows of 2020. What does this mean for the M&A market? You could argue that investors are getting pickier about what they spend their money on and turning away from debt as a scaling strategy.

Does that mean less optimism in the market generally?

Acquirers favoring scale and strategic advantage

Private equity was relatively cautious in the first half of 2024 whereas corporate M&A activity rose.

PwC's [Mid-Year Outlook](#) reports: "M&A activity involving a financial sponsor was down 34% in the first half of 2024. For corporates, the decrease was 18%... the corporate share of the M&A pie has increased from 60% in the previous two years to 63%. This can be attributed in part to a competitive advantage from corporates' lower dependence on debt."

PE activity increased towards the second half of 2024, with private equity taking advantage of anticipated federal funds rate cuts to finally spend its reserves. By the end of Q3, private equity's share of the market rose to 41.2 percent according to [PitchBook's Q3 2024 Global M&A Report](#). How strategic acquirers measure success also changed. Many now seek returns via both cost savings and new revenue opportunities (as opposed to one or the other). Combining "scope" and "scale" opportunities hedges against one or the other failing to achieve the returns strategies expect.

For strategic acquisition opportunities, [consult our M&A team](#) to access a network of recommended buyers.

"We continue to see a growing variance in multiples based on growth rates and – more importantly than ever – customer retention. Buyers are also paying closer attention to the true costs of future growth as many SaaS markets are maturing and the categories are getting more competitive. That said, it's still an amazing time to sell a software business with multiples by revenue and profit very strong relative to the long-term averages."



Chris Reed

Cofounder and Head of Acquisitions at [Big Band Software](#)

The future is getting harder to predict – and that's okay

Every period in history has suffered from uncertainty – especially in politics, economics, and technology – but the past five to ten years have been unusually chaotic. From geopolitical instability to environmental challenges to the rapid rise of AI, powerful macroeconomic forces have converged at unprecedented speeds, poking holes in investor confidence. But the show has and will go on.

Wherever you find challenges, you find new businesses to meet them. Investment in AI and infrastructure supporting AI continues to increase. Likewise, demand is high for startups tackling some of the biggest challenges in healthcare, energy, and environment. Cautious optimism may be 2025's calling card.



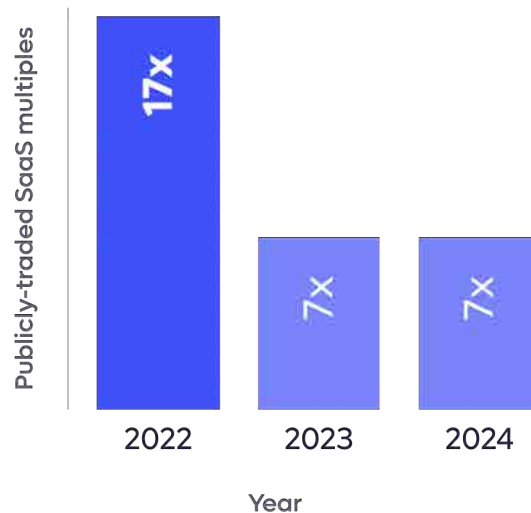
MicroSaaS multiple report

A disclaimer on the data

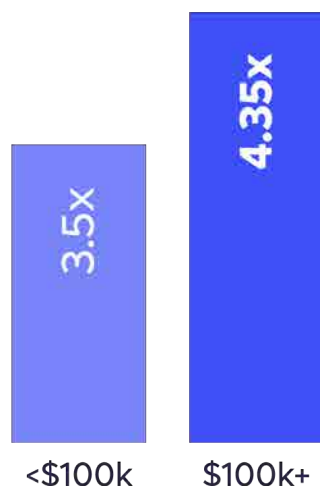
This report, based on anonymized customer data, is for informational purposes only and not intended as professional advice. While we verify transaction data we facilitate, results may vary. We recommend consulting an M&A professional before proceeding with any transactions. Acquire.com does not claim absolute accuracy of the information provided nor seeks to interfere with existing professional relationships.

Valuation Trends

Valuations have fallen from the dizzying heights of the pandemic push, but not quite so far as publicly-traded companies.



Net income multiple

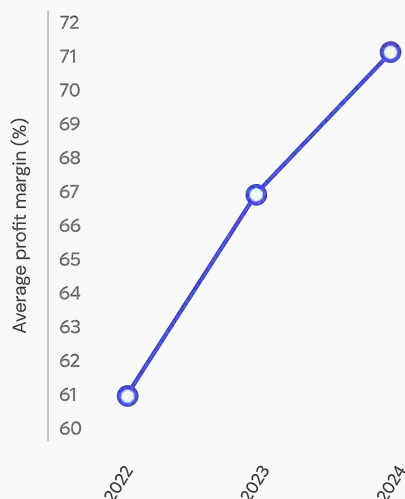


Annual revenue

Average SaaS profit multiple (split by revenue)

Profit continues to be the preferred financial metric to which buyers apply the multiple. To ensure buyers get the clearest picture of your business's earnings potential, we can help recast your financials by adjusting for discretionary spending, which can improve your overall profit outlook.

Estimate how much your company is worth with our [free SaaS valuation tool](#). Using data from thousands of past listings, it gives a realistic baseline to help you maximize buyer interest.



Average profit margin of submitted Listings

Founders have taken advantage of the profit-hungry M&A market, with the average profit margin of submitted listings rising steadily and peaking at 71 percent in 2024. Robust cash flow and sound fundamentals reduce buyer risk and allow them to reinvest profits into growth, making your business more attractive.



Profitable Startups Get More Interest

30

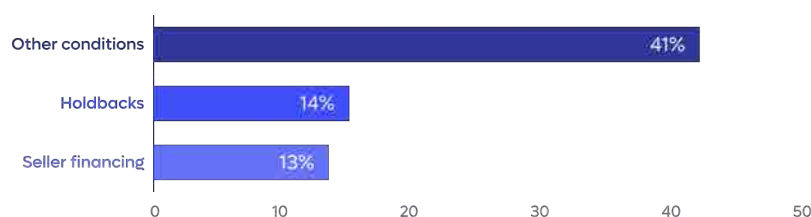
buyers on average show interest in higher profit (40%+) startups, demonstrating that profitability boosts buyer engagement. To enhance efficiency before selling, explore quick wins such as automating processes or outsourcing for lower costs. Also, assess whether all tools and subscriptions are essential.

How long does it take a startup to sell?

Most startups complete their exits in 90-180 days, with smaller, less complex businesses selling fastest. Complexity creeps into the bigger transaction sizes, with everything from due diligence to escrow taking longer. By using our platform tools and leaning on our M&A team, you can minimize sale timelines.

How many offers come with conditions?

A riskier M&A market meant more buyers protected their investments with conditions. Think seller financing, holdbacks, earnouts, and more. Making the purchase price partially conditional on future performance, for example, can induce a buyer to accept a seller's preferred asking price. Sellers agreeing to conditions must also due diligence the buyer and ensure any conditions are fair and proportional.



SaaS case studies (\$1M+ TTM revenue)

SaaS startups with over \$1M TTM revenue can vary wildly and attract a much larger and more diverse pool of buyers, from financial to strategic. Calculating valuations for these complex businesses is often more nuanced than working from baseline averages given their unique features and value propositions. Therefore, please use the following case studies to inform your pricing strategy.

CASE STUDY

An app for creating social media contests

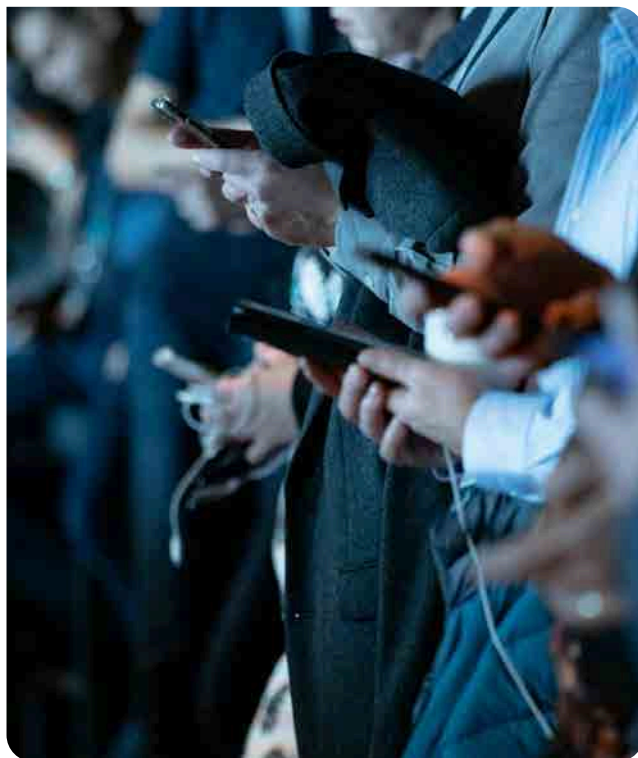
\$7M (4.7x profit)

 45% growth rate

 90% net profit margin

 Over 10k customers

Initially open to offers to gauge market expectations, this startup, operating since 2020 with a freemium pricing model and recurring revenue, eventually set the asking price at \$7.2M. After engaging in 118 buyer conversations, it was successfully acquired for \$7M.



CASE STUDY

Content site for taking quizzes

\$4.1M (4x profit)

 Over \$8M in revenue

 \$2M in profit

 Over 5M monthly traffic

Operating since 2016 and dominating its market, this startup boasts a good customer lifetime value (LTV) and has demonstrated a strong product-market fit with consistently high revenue, despite lacking recurring revenue. The robust performance attracted over 110 interested buyers, resulting in four letters of intent (LOIs).



CASE STUDY

Mobile app building SaaS

\$5M (10x profit)

 \$4.6M in TTM revenue

 11% net profit margin

 Recurring revenue model

This platform for building mobile apps features a talented team and requires low involvement from the CEO. It attracted over 100 interested buyers due to its large, stable revenue and the team's willingness to stay on post-close.

Want to know how much your SaaS company is worth? [Get in touch with our M&A team](#) for a free, no obligation valuation.

Looking forward

With big changes afoot in 2025, including a new US president, it's hard to predict how the M&A market will behave.

If the Fed continues to cut interest rates and inflation continues to fall, we may see a boom in activity and rebounding multiples for the best businesses. The market improved toward the end of 2024, and we're yet to fully see the result of December's rate cuts. The outlook is good.

Private equity's coffers are full, and fund managers are under pressure from their investors to spend. But growth is still expensive. Debt is expensive. Stuff is expensive. To succeed in this market, pending any substantial cuts making debt attractive again, 2025 is likely to be the year of investors seeking sustainable growth. That means proven business models (read: SaaS), positive cash flow, and growing profits.

How to Prepare for Success in 2025

Thinking of buying or selling a business in 2025? Here are a few tips from our M&A team.

After a fantastic year for acquisitions, we're excited to help more founders succeed in 2025 by preparing them for what buyers want. Even strategic acquirers sought strong financial performance last year and will continue to do so in 2025. To maximize your multiple, focus on profitability, growth, and developing robust IP and a defensible market advantage – buyers pounce whenever there's least risk.

Rosa Romaine President



2024 presented challenges for the M&A world due to a variety of factors such as elevated interest rates, pending election results that would influence economic and societal conditions, and the emergence of artificial intelligence. However, we are quite optimistic as we begin 2025 as solutions have begun to develop to overcome these challenges.

Christian Steverson Acquisitions Director



Last year continued the trend of profit overtaking revenue as a key driver of value in acquisitions. While fast-growing businesses will continue to catch buyers' attention, we expect buyers to favor profitability and predictability when choosing between them. If you're looking to sell your business in 2025, embrace efficiency by cutting low-ROI costs and maybe even exploring how AI could boost profit margins.

Andrew Gazdecki CEO & Founder



Need expert help to buy or sell a business? [Speak to one of our M&A advisors](#) for a free, no-obligation assessment of your acquisition readiness and goals. Realize your ambitions with our help, today.