



# SaaS

ANNUAL REPORT

2025



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# Macroeconomic Overview

# A New Year, a New Hope

Global economic outlook is more hopeful for 2025. Cabinet changes across several of the G20 and accommodative monetary policies signal greater potential for growth across markets and industries.

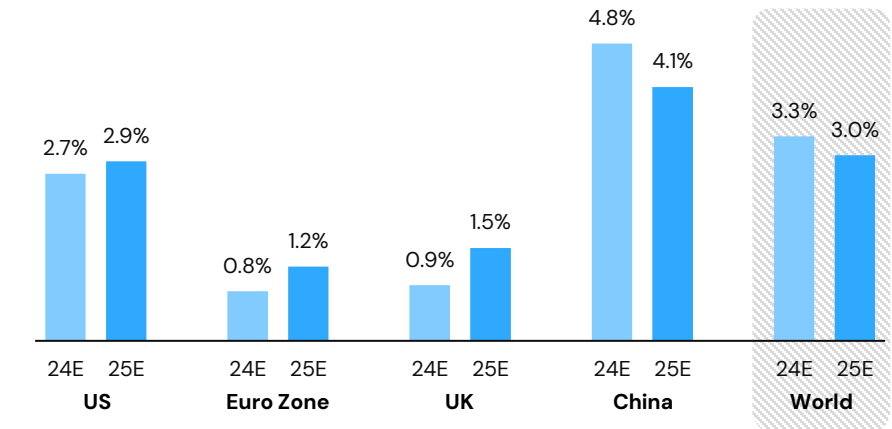
The incoming US Presidential Administration heavily influences the global macroeconomic outlook for 2025. The election of Donald Trump in the US is widely expected to improve the economic and regulatory landscape for business owners. In the international arena, President-elect Trump's trade policies will likely focus on attempting to solidify U.S. dominance in areas such as digital technology and artificial intelligence, broadly benefitting the tech industry as a role.

US President-Elect Trump's generally pro-business stance is encouraging to global markets. The new administration's proposed tax policies could lead to substantial changes in the US economy and its partners. Tax cuts, particularly for corporations and high-income earners, might stimulate investment and economic activity. While global financial markets are especially poised for a potentially transformative period, across-the-board tariffs from the US would be unusual—the impact on the global economy could be considerable. However, the potential imposition of tariffs is more likely the starting point of negotiations.

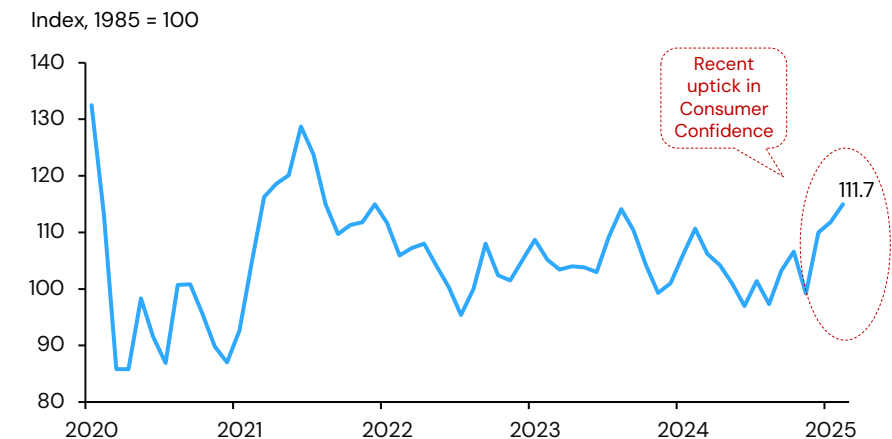
Worldwide GDP is forecast to expand 3.0% next year, slightly below prior estimates. The UK and EU are expected to continue to struggle with growth but could be impacted positively by events in the U.S. In China, growth is expected below the official 5% target for the year. For the U.S., there is no consensus, and forecasts are being reconsidered at this writing. Goldman Sachs and UBS forecast 2025 U.S. GDP growth at 2.7–2.9%. The U.S. economy could initially grow slightly faster under Trump's plans to cut corporate taxes, but that impact could quickly fade depending on the effects of a tariff conflict.

The Conference Board's Consumer Confidence Index rose to 111.7 in November 2024, an increase of 2.1 points from October and the highest level since July 2023. This likely reflects increased consumer optimism following the U.S. presidential election and more positive assessments of the current labor market.

## Real GDP Growth (% YoY)



## Consumer Confidence Index (%)



# The Lower Middle Market: A Hidden Gem for M&A

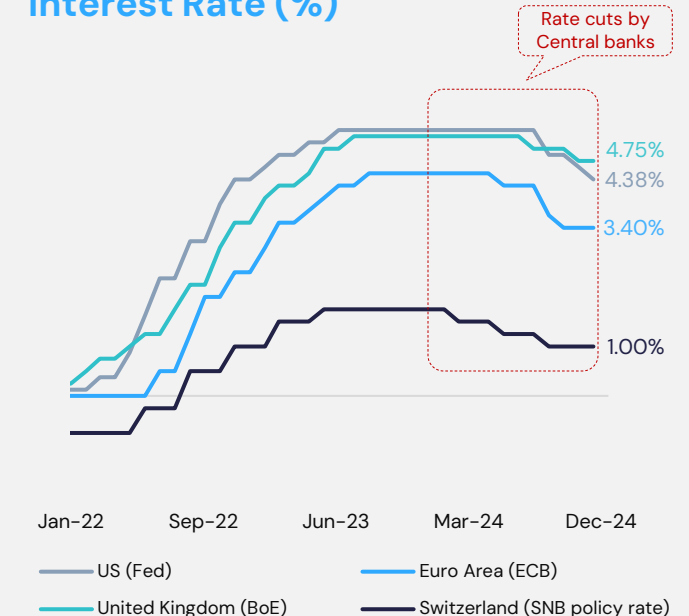
Central banks worldwide have continued a gradual reduction in policy rates, which is expected to greatly benefit M&A activity through 2025.

The lower-interest-rate environment benefits sellers by making deals more affordable and attractive. Lower borrowing costs translate to reduced debt, quicker deal timelines, and less complex financing structures. Sellers may be able to negotiate for larger upfront payments and fewer deferred payments or earn-outs, as lower borrowing costs reduce the need for such complex arrangements.

The underlying technology and platform primarily drive lower middle market deals. Lower middle market deals valued under \$100 million often require less financing, making them less sensitive to interest rate fluctuations, but lower rates can lead to even more favorable terms and increased deal activity.

Importantly, overall economic optimism and a pro-business environment can lead to increased deal activity, especially in the lower middle market. For instance, the US President-elect has expressed plans to deregulate the financial industry and emphasizes technology solutions for financial transactions, which portends well for increased deal activity.

Interest Rate (%)



The recent interest rate cuts are encouraging for buyers and sellers alike, especially as capital deployment becomes a priority at year end. The [US] Fed didn't commit to a timeline for the next cut, possibly a signal of caution with policy shifts from the new US administration. Inflation is still "somewhat elevated," so they are walking a tightrope. Powell's challenge? Balancing a cooling labor market with inflation control. For business owners, this could mean opportunity in the months ahead.



**Thomas Smale**  
CEO of FE International



The true driver of success in lower middle market technology deals lies in the underlying technology. In sectors like FinTech, where innovation is paramount, the ability to acquire and deploy transformative technologies will ultimately determine deal outcomes. Additionally, a pro-business environment can, on the margin, prompt more transactions to be considered and pursued.



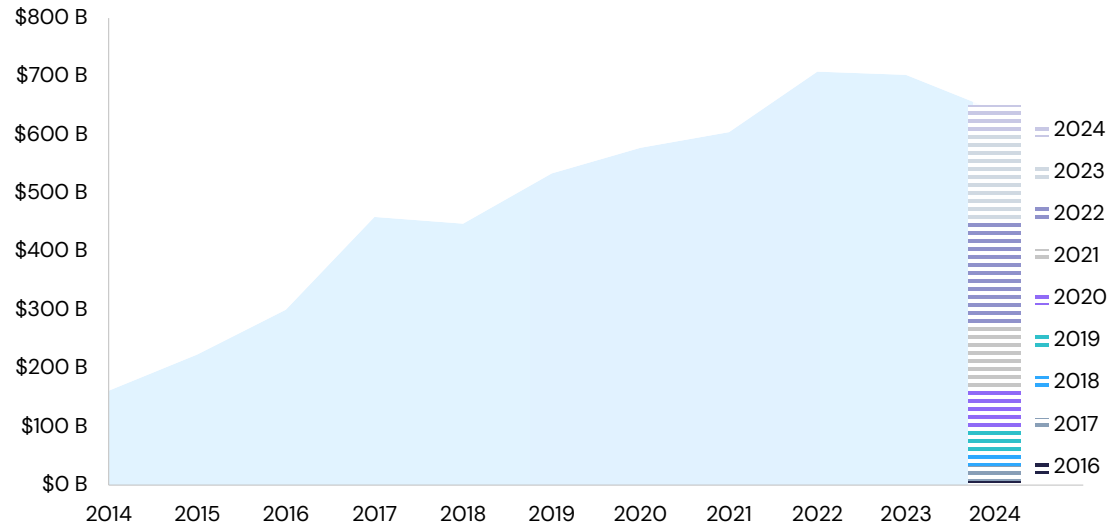
**Randal Stephenson**  
Head of Investment Banking of FE International & CEO of FE Capital Markets LLC<sup>1</sup>



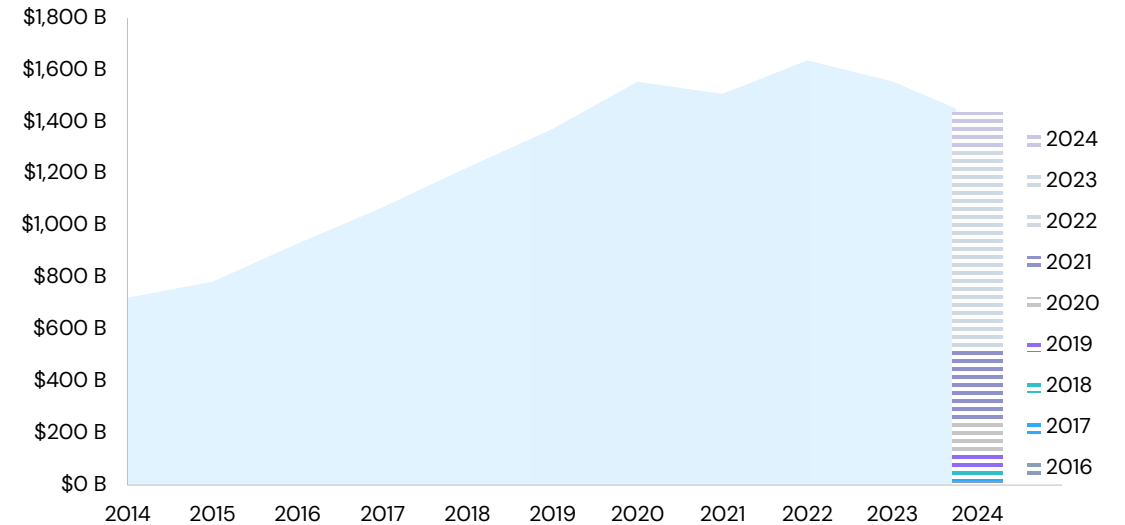
Source: Interest rates as per central bank data of respective regions.  
Note: ECB = European Central Bank, BoE = Bank of England, SNB = Swiss National Bank.  
5 (1) Securities transactions offered and managed through FE Capital Markets LLC, Member FINRA/SIPC (FINRA CRD# 314943).

# Venture Capital & Private Equity Investment Outlook

## VC Dry Powder (\$B) by Vintage



## PE Dry Powder (\$B) by Vintage



- Venture capital fundraising in 2024 exceeded 2023 levels. Private equity fundraising, while anticipated to be lower due to higher interest rates, still surpassed \$500 billion.
- VC and PE firms hold approximately \$650 billion and \$1.4 trillion of dry powder, respectively. Favorable market conditions should create a favorable environment for robust M&A activity across sectors.

- M&A activity could surpass 10-year averages as US President-elect Donald Trump's pro-growth policies, lower corporate taxes, and expected deregulation are anticipated to create a deal-making surge in 2025, according to Goldman Sachs CEO David Solomon.

Source: Pitchbook Q3 2024 Global Private Market Fundraising Report and [NY Post](#), 10 December 2024.



# The State of SaaS



# Defining SaaS: Key Characteristics for Sustainable Growth

Software-as-a-Service (SaaS) refers to businesses that deploy cloud-hosted software applications delivered on a subscription basis, providing businesses with scalable solutions, accessibility, and predictable recurring revenue.

Over the past few years, the definition of SaaS has evolved as businesses across industries adopt subscription models and cloud delivery, leading to the “SaaS-ification” trend. However, not all businesses claiming to be SaaS meet the true criteria.

**Investors differentiate true SaaS companies through the following characteristics:**

- **Recurring Revenue:** High proportion of revenue derived from subscriptions
- **Scalability:** Ability to serve a growing customer base with minimal incremental cost
- **Customer Retention:** High retention rates (e.g., low churn) and growing customer lifetime value (LTV)
- **Unit Economics:** Strong gross margins (>70%) and efficient customer acquisition costs (CAC)

**High-quality SaaS businesses share specific hallmarks, including:**

- Consistent annual recurring revenue (ARR) growth
- Net revenue retention (NRR) exceeding 100%
- Operational efficiency often measured by the “Rule of 40” (ARR growth % + EBITDA margin  $\geq$  40%)

These businesses demonstrate strong customer value, predictable cash flows, and scalability while maintaining a competitive moat and differentiated offerings. Investors scrutinize these metrics to identify SaaS companies that deliver sustainable, high-margin growth versus those leveraging temporary trends.



# Lower Middle Market SaaS: A Beacon in a Stormy Economy

SaaS companies faced considerable headwinds in 2024, driven by elevated interest rates, persistent inflation, and geopolitical uncertainty. These factors increased the cost of capital, prompting financial sponsors and strategic acquirers to adopt a more cautious approach to spending. While larger tech investments have slowed, lower-middle-market SaaS companies have emerged as a focal point for investors. Smaller valuations, combined with opportunities for roll-up strategies, operational improvements, and service professionalization, make these companies particularly attractive in a capital-constrained environment. Investors are increasingly seeking businesses with clear pathways to value creation and the ability to scale efficiently.

Despite macroeconomic challenges, lower middle market SaaS companies are well-positioned to capitalize on growth opportunities, particularly in AI and automation. Enterprises, including small and medium-sized businesses (SMBs), continue to prioritize solutions that deliver tangible ROI through enhanced analytics, predictive insights, and cost-saving automation. SaaS companies that integrate AI-driven capabilities can help businesses optimize workflows, reduce costs, and drive operational efficiencies—key priorities in a cautious market.

For investors, this ability to deliver measurable impact makes lower-middle-market SaaS companies compelling, as they offer growth potential, scalability, and resilience amid broader economic uncertainty.

# SaaS is Projected to Double by 2030

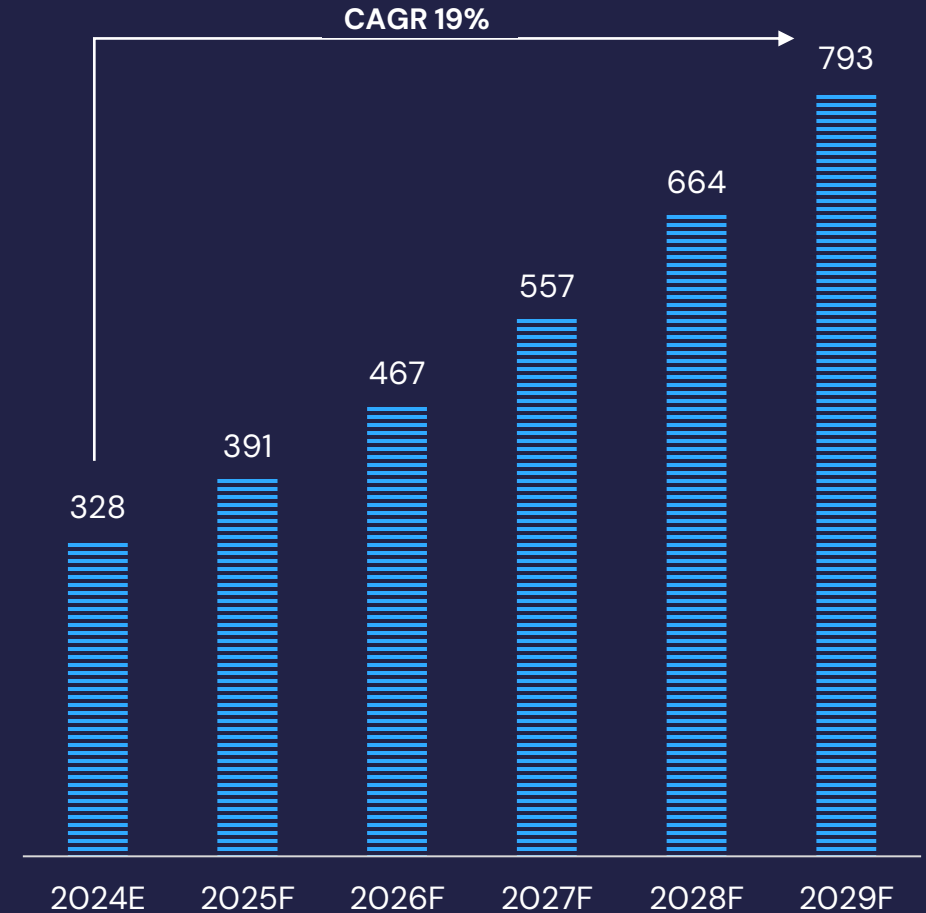
Global SaaS revenues are set to grow from **\$328.2 billion** in 2024 to **\$793.1 billion** by 2029, a 19% CAGR. While industry leaders like Microsoft, Salesforce, and Adobe dominate the headlines, much of the sector's momentum is being driven by smaller, lower-middle-market SaaS companies that focus on solving niche problems. These businesses are thriving in specialized verticals like healthcare, financial services, government, and energy, where tailored solutions can deliver clear, immediate value.

For these smaller players, growth opportunities are being fueled by rising demand for automation, cost optimization, and vertical-specific tools—particularly among small and medium-sized businesses (SMBs). SMBs represent a fast-growing customer base, seeking SaaS solutions that improve efficiency, streamline workflows, and scale operations affordably with predictable future revenues.

Lower-middle-market companies stand out by offering agility, cost-effectiveness, and focused innovation, qualities that larger platforms can't always match. Investors are increasingly looking to these providers for their ability to deliver strong recurring revenue, operational discipline, and the flexibility to capture emerging opportunities in a rapidly evolving market.

Source: Statista 2024

**Global SaaS Revenues**  
(In Billions of USD)





# SaaS M&A Activity

# SaaS M&A Activity

## Lower Middle Market

Lower middle market SaaS company M&A demonstrated resilience in 2024, achieving a deal volume of \$8.9 billion despite a challenging macroeconomic environment. This represents a 29% year-over-year increase compared to 2023. This robust activity was driven by strategic imperatives, competitive pressures, and the ongoing pursuit of innovation within the sector.

### Key trends:

- Strategic Buyer Dominance:** Software and technology companies are strategically utilizing M&A to gain a competitive edge in the rapidly evolving digital landscape. By acquiring complementary technologies and expanding into new markets, these companies are enhancing their capabilities and solidifying their positions within the industry.
- Operational Efficiency:** Companies are actively seeking to acquire businesses with advanced AI capabilities to enhance their own operational efficiency, improve customer experiences, and gain a competitive edge.
- AI-Powered Innovation:** Companies are acquiring businesses with strong AI/ML capabilities to accelerate their own innovation efforts, improve their data-driven decision-making, and unlock new avenues for growth.

The rebound in SaaS M&A activity is expected to continue upward growth in 2025. Companies are actively looking to enhance their product offerings and gain a competitive edge by pursuing innovation-driven acquisitions with recurring revenues. The shift towards cloud-based, modern technologies empowers buyers to capitalize on growth opportunities and solidify their positions in the evolving digital landscape.

Source: Pitchbook as of 31 December 2024. Data consists of transactions where deal value was disclosed.  
 Note: Companies valued below \$150 million were considered lower middle market.

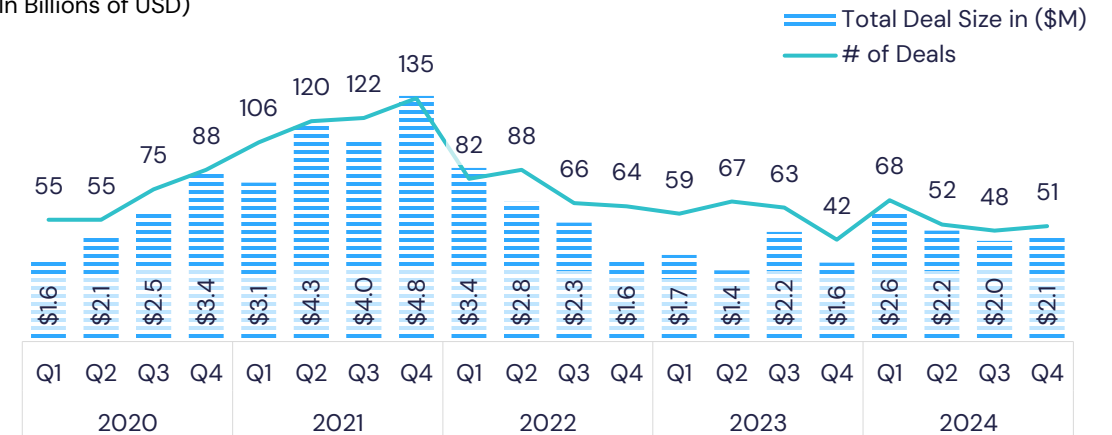
## SaaS M&A by Year – Lower Middle Market

(In Billions of USD)



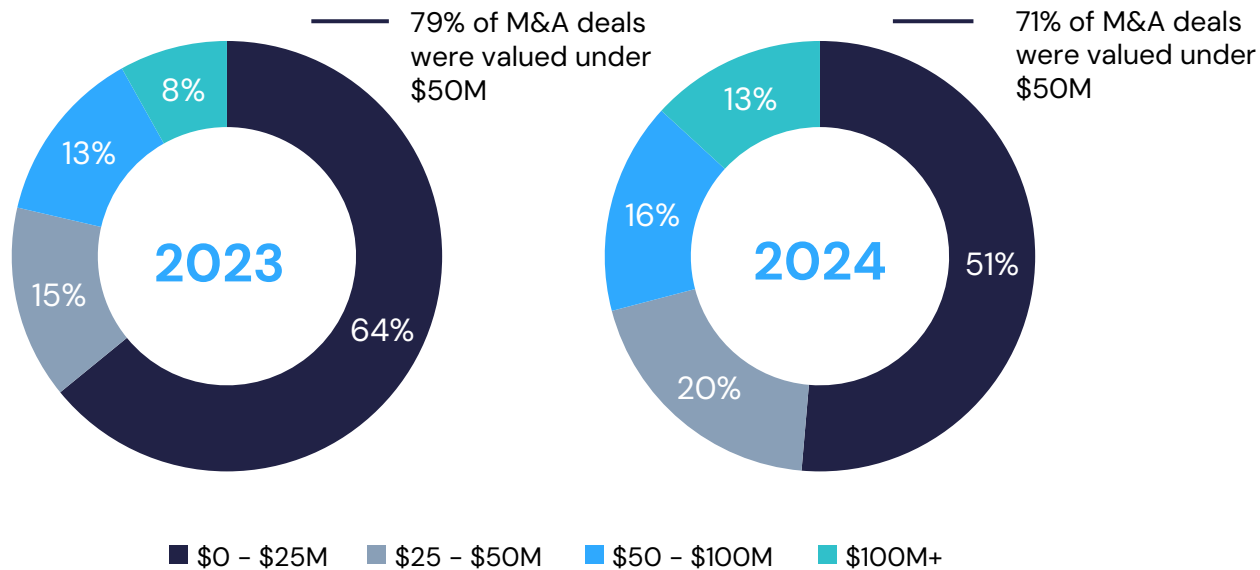
## SaaS M&A Volume by Quarter – Lower Middle Market

(In Billions of USD)



# Distribution of Lower Middle Market SaaS M&A Deals

Smaller transactions remain the cornerstone of M&A activity in 2024, accounting for more than 70% of the total deal volume.



### Select FE Advised Deals

|  |   |
|--|---|
| <p>Salesforce Payment Solution</p> <p><b>asperato</b> Sold to <b>UNARIC</b></p> <p>payments solved</p> | <p>SaaS Marketing Solution</p> <p><b>DROPFUNNELS</b> Sold to <b>OptionScout</b></p> |
| <p>AI SaaS Content Creation</p> <p><b>Smodin</b> Sold to <b>Private Buyer</b></p>                      | <p>B2B SaaS - Shopify App</p> <p><b>TrackiPal</b> Sold to <b>Private Buyer</b></p>  |





















- Strategic acquirers continued to be the primary drivers of M&A activity, securing 66% of the total deal volume in 2024
- Private equity firms demonstrated a more cautious investment macro-outlook however; activity is likely to rebound as market conditions improve with a more positive macro-outlook
- Smaller transactions below \$50 million remained a key contributor to the overall level of M&A activity




Source: Pitchbook as of December 2024. Data consists of transactions where deal value was disclosed.

- The business & productivity SaaS sector dominated overall M&A activity in 2024, capturing 42% of all deals in the sector
  - This surge was primarily driven by the growing need for automation and AI solutions to enhance business efficiency
- High demand for financial SaaS drove 12% of the total SaaS M&A volume
  - Companies are actively seeking acquisitions to enhance compliance and operational resilience in the face of stricter regulations

# Select SaaS M&A Deals in 2024

## Lower Middle Market

| Target   | Buyer  | Date      | Deal Size (\$M) | Type      |
|--|--|-----------|-----------------|-----------|
|  rezolve Ai<br><small>Instant Salesware</small>                                 |  Armada Acquisition Corp. I | 15-Aug-24 | 150             | Strategic |
|  Sealights  |  Tricentis                  | 17-Jul-24 | 150             | Strategic |
|  Camms.   |  riskconnect                | 7-Jun-24  | 150             | PE        |
|  silk.  |  ARMIS.                     | 17-Apr-24 | 150             | PE        |
|  entitle<br><small>A BeyondTrust Company</small>                                |  BeyondTrust                | 16-Apr-24 | 150             | PE        |
|  PATHOLOGY WATCH  |  SONIC HEALTHCARE           | 8-Jan-24  | 150             | Strategic |
|  givex  |  SHIFT 4                    | 8-Nov-24  | 144             | Strategic |
|  FAST LEAN SMART fis  |  Deutsche Beteiligungs AG | 29-Aug-24 | 143             | PE        |
|  iLearning Engines<br><small>Intelligence For The Learning Enterprise</small> |  arrowroot Capital        | 16-Apr-24 | 143             | Strategic |
|  Socure.  |  effectiv                 | 24-Oct-24 | 136             | Strategic |

| Target   | Buyer   | Date      | Deal Size (\$M) | Type      |
|--|---|-----------|-----------------|-----------|
|  FullCircI  |  ncino   | 30-Oct-24 | 135             | Strategic |
|  CLASSOVER  |  BATTERY FUTURE ACQUISITION CORP.                      | 14-May-24 | 135             | Strategic |
|  ai   |  SHOULDERUP<br><small>WORK TOGETHER</small>            | 22-Mar-24 | 130             | Strategic |
|  BEEPER   |  AUTOMATTIC  | 1-Apr-24  | 125             | Strategic |
|  AIRGAP<br><small>a zscaler company</small>         |  zscaler   | 12-Apr-24 | 124             | Strategic |
|  Bigtincan  | Private Buyer   | 5-Dec-24  | 119             | PE        |
|  QUISITIVE.   |  H.I.G. CAPITAL  | 31-Dec-24 | 118             | PE        |
|  fingercheck                                      |  columbus capital<br><small>EMPOWERING IDEAS</small> | 29-Oct-24 | 115             | PE        |
|  ARGENTEA<br><small>pay smart, feel good.</small> |  ZUCCHETTI   | 20-Mar-24 | 114             | Strategic |
|  autofleet  |  element   | 13-Aug-24 | 110             | Strategic |

Source: FE International and Pitchbook as of 31 December 2024.



# Active SaaS Buyers

Lower Middle Market

| Financial Buyers  |   |   |   | Strategic Buyers  |   |   |   |
|---|---|---|---|---|---|---|---|
|    |    |    |    |    |    |    |    |
|    |    |    |    |    |    |    |    |
|    |    |    |    |    |    |    |    |
|   |   |   |  |  |   |  |   |
|  |  |  |  |  |  |  |  |

Source: Pitchbook as of December 2024.



# Select FE International SaaS Transactions

# Finding the Right Buyer in a Niche Sector

Asperato, a Salesforce payment orchestration solution, finds new home with Salesforce focused private equity firm

## Company Overview:

Asperato is an embedded Salesforce payment orchestration solution with a gross merchandise value (GMV) run rate of over \$1.1 billion. The company helps businesses securely collect and process payments around the world with its fully tokenized PCI-DSS Level 1 compliant solutions, which have been audited and certified to meet the highest standards of security.

Asperato partnered with FE International due to the firm's unmatched presence in the Salesforce ecosystem, with over a dozen completed transactions such as CloudOrca and Focus on Force.

## Key Value Drivers:

- Revenue has grown 33% year over year between 2021–2022
- 87% gross margins
- Net revenue retention of 111% (2022)

## Buyer Interest:

- Opportunity presented to 1200+ buyers with the majority of outreach focused on strategic acquirers within FinTech and beyond.

**asperato**  
payments solved

Sold to

**UNARIC**

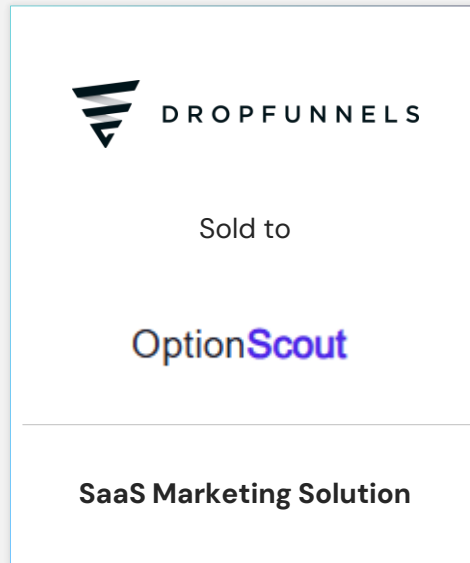
**Salesforce Payment Solution**

## Process Results:

- FE negotiated favorable management incentive structures in which founders receive future payouts for consistent results—in addition to funds received for the sale of the business
- 7 Offers that each exceeded sellers' expectations

# Bootstrapped SaaS Finds Successful Exit

DropFunnels, an all-in-one marketing solution, completes exit in 60 days



## Process Results:

- Quick and efficient process with signed offer to close in under 60 days

## Company Overview:

DropFunnels is an all-in-one marketing solution that gets businesses online with a website in minutes. The platform includes pre-built drag-and-drop modules that make creating funnels quick and easy with a variety of options such as creating pricing charts, custom checkouts, digital course hosting, and more.

The founder came to FE International because he wanted a fast exit – he was ready to found his next business, and needed a buyer who could continue to scale DropFunnels to success. To his satisfaction, the transaction closed in under 60 days.

## Key Value Drivers:

- Adjusted EBITDA margin of c.44%
- 1,000+ users
- Impressive 4.5 out of 5.0 stars on Capterra

## Buyer Interest:

- Opportunity presented to 800+ buyers with the majority of outreach focused on strategic acquirers

# Competitive, Curated Process for GenAI

Smodin receives 10 competitive offers and a successful exit



Sold to

**Private Buyer**

**Gen AI SaaS (Content Creation)**

## Process Results:

- Smodin received 10 competitive offers for the business, meeting the owner's expectations with a buyer able to execute seamlessly and at the right price

## Company Overview:

Smodin is an AI-powered writing tool that pioneers innovative solutions for students, teachers, writers, and businesses across the globe. With over 10 million users and a presence in over 180 countries, the company integrates cutting-edge AI tools to enhance productivity and creativity in content creation.

Smodin came to FE International because it created a unique language-learning AI model (LLM) and wanted as competitive deal process as possible amid increased volumes of AI transactions due to the rise in popularity of other models, like Gemini. They received 10 competitive offers throughout the process.

## Key Value Drivers:

- Garnered 71 million website sessions in the last 12 months, demonstrating extensive user engagement and robust platform appeal
- Realized compound monthly growth rates of 4% for ARPU and 3% for lifetime value
- Impressive 4.6 out of 5.0 stars on Trustpilot

## Buyer Interest:

- 1,100+ Parties Contacted
- Multiple offers received

# B2B SaaS Selects the Perfect Buyer

TrackiPal, a Shopify App, successfully closes exit with a small software acquirer



Sold to

**Private Buyer**

**B2B SaaS – Shopify App  
PayPal Order Syncing**

## Process Results:

- FE International negotiated a successful exit at more than 110% of initial valuation
- Founders received a range of exit options, ultimately maximizing their desired outcome and demonstrating FE's commitment to surpassing their expectations.

## Company Overview:

TrackiPal is a cutting-edge Shopify app revolutionizing order tracking and customer communication. With seamless integration, it provides merchants with real-time tracking updates and customizable notifications, enhancing customer satisfaction and retention. TrackiPal empowers businesses to streamline their operations and deliver exceptional post-purchase experiences.

Due to the volume of interest FE International raised for TrackiPal, the founder was able to pick their most preferred offer – a quick exit and 110% of the initial valuation. It was sold to a high-net-worth individual, buyer.

## Key Value Drivers:

- One of the only Shopify approved applications that allows for PayPal integrations
- Top rating on Shopify Marketplace with a rating of 4.7/5-stars
- High margins given lean operations

## Buyer Interest:

- 2500+ Parties Contacted
- Several offers received from high-net-worth individuals to small software acquirers



# Finding the Right Strategic Partner

FE International represented Link My Books, a digital platform that offers automated bookkeeping services, which was sold to a one of Europe's biggest acquirers of business software

## Company Overview:

Link My Books is a cloud-based bookkeeping automation platform for e-commerce businesses. It integrates with major platforms (Amazon, eBay, Shopify, Etsy) to automate data imports (sales, fees, taxes). It connects with accounting software (Xero, QuickBooks) for streamlined reconciliation, targeting e-commerce businesses of all sizes, especially multi-platform sellers.

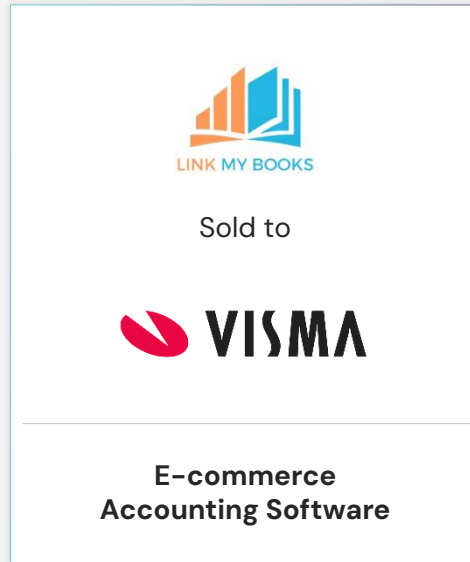
LinkMyBooks were looking for an ideal partner to propel their business into the next phase of growth. FE International's outreach targeted multiple strategic buyers, resulting in several qualified offers with appealing structures. Ultimately, the sellers chose an offer that not only surpassed their valuation expectations but also provided promising potential for future business growth.

## Key Value Drivers:

- Revenue grew 46% year over year between 2020-2023
- 98% customer retention rate
- \$2M ARR as of date went under offer

## Buyer Interest:

- 1400+ Parties contacted
- Notable parties included: Visma, Software Circle, SaaS.Group, Threecolts



## Process Results:

- LinkMyBooks received 16 qualified offers
- FE International delivered an exceptional outcome for the seller, securing an offer with uncapped earnout potential that exceeded their expectations



# SaaS Funding

# SaaS Funding

## Lower Middle Market

SaaS company funding remained subdued in 2024, reaching \$9.3 billion across 721 deals. While the overall funding landscape reflected a cautious investor approach due to the prevailing macroeconomic conditions, SaaS continued to attract significant investment. Notably, investors demonstrated a preference for smaller deals, likely seeking to mitigate risk in the current environment. This shift towards smaller deals suggests a focus on proven business models and a preference for less volatile investments.

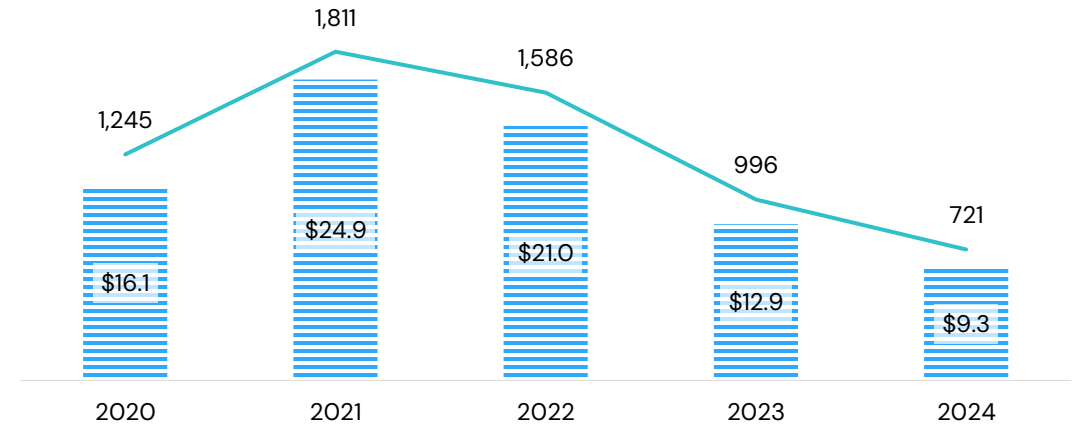
### Key trends:

- **Focus on AI Integration:** Investors are targeting SaaS businesses leveraging AI for enhanced decision-making, personalized solutions, robust security, and advanced data analytics.
- **Adapting Growth Strategies:** Investors value SaaS companies that are adapting their growth strategies by downsizing non-core teams, prioritizing R&D, and exploring strategic partnerships to enhance efficiency, expand client bases, and drive sustainable growth in the current market.
- **Security as a Priority:** Investors are prioritizing SaaS companies that prioritize security, particularly those with robust security measures to mitigate risks from data breaches, misconfigurations, and the growing threat of interconnected applications.

These trends indicate a strong future for SaaS companies, with investors seeking out innovative and resilient businesses that can navigate the evolving market landscape.

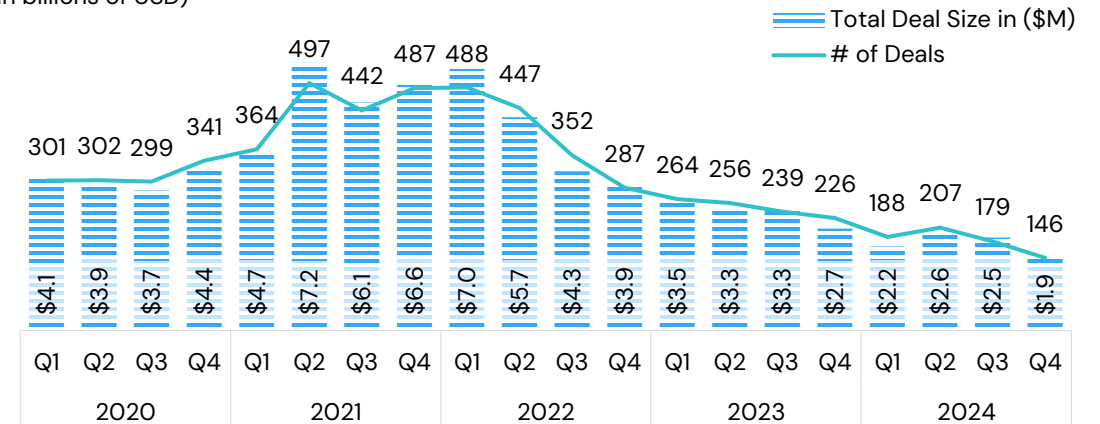
## SaaS Funding by Year – Lower Middle Market

(In billions of USD)



## SaaS Funding Volume by Quarter – Lower Middle Market









(In billions of USD)


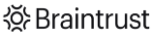







Source: Pitchbook as of December 2024. Data consists of transactions where deal value was disclosed.  
 Note: Companies valued below \$150 million were considered lower middle market.

# Select SaaS Funding Deals in 2024

## Lower Middle Market







































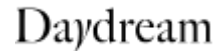

















| Company   | Date      | Deal Size (\$M) | Funding Type   |
|---|-----------|-----------------|----------------|
|  afiniti   | 22-Jul-24 | 62.0            | Seed Round     |
| Daydream  | 30-Aug-24 | 49.7            | Seed Round     |
|  opkey     | 22-Aug-24 | 47.0            | Later Stage VC |
|  HABER     | 10-Oct-24 | 43.9            | Later Stage VC |
| <b>TECHWOLF</b>   | 24-Jun-24 | 43.0            | Later Stage VC |
|  osome     | 20-Jul-24 | 42.0            | Later Stage VC |
|  cents     | 1-Apr-24  | 41.0            | Later Stage VC |
|  OneStep | 22-Oct-24 | 40.5            | Later Stage VC |
|  HiLabs  | 11-Mar-24 | 39.0            | Later Stage VC |
|  Norm Ai | 25-Jun-24 | 38.4            | Early-Stage VC |
|  finmid  | 16-Apr-24 | 37.8            | Early-Stage VC |

| Company   | Date      | Deal Size (\$M) | Funding Type   |
|---|-----------|-----------------|----------------|
|  waveBL<br><small>revolutionizing trust in trade</small> | 11-Jan-24 | 37.0            | Later Stage VC |
|  Braintrust  | 28-Jun-24 | 36.0            | Early-Stage VC |
|  Old Well Labs   | 29-May-24 | 36.0            | Later Stage VC |
|  netgain   | 3-Apr-24  | 35.0            | Later Stage VC |
| <b>Ontheline</b>  | 30-Oct-24 | 35.0            | Later Stage VC |
|  mangomint   | 6-Sep-24  | 34.8            | Later Stage VC |
| <b>Sona.</b>  | 19-Apr-24 | 34.2            | Early-Stage VC |
|  OLERIA   | 29-Apr-24 | 33.0            | Early-Stage VC |
| <b>NAVRO</b>  | 9-Feb-24  | 32.9            | Early-Stage VC |
| <b>sweet.</b>   | 6-Mar-24  | 32.9            | Early-Stage VC |
|  findigs   | 13-Jun-24 | 32.5            | Later Stage VC |

Source: FE International and Pitchbook as of 31 December 2024. Select transactions from deals with valuations less than \$150M.

# Active SaaS Investors & Accelerators

Early Stage

| Investor   | # of SaaS Investments in 2024 | Select Investments   |
|--|-------------------------------|--|
| SEQUOIA   | 22                            | tavus  + Decart  Anterior  Breeze  EDXM  evy.              |
| Alumni Ventures<br>NETWORK-POWERED VENTURE CAPITAL  | 21                            | Daydream  cents  Savvy  HERCULES<br>INCORPORATED   |
| Gaingels    | 19                            | influur  Legal Karma  ATLAS<br>REALITY  CoverForce   |
| andressen.<br>horowitz                              | 16                            | braintrust  Valar<br>Labs  ModernFi  Tennr   |
| Accel   | 13                            | HABER  Rainforest  Nanonets  RapidCanvas  Flipturn  Gamma  |
| FJ LABS   | 12                            | cents  Bondaval  Leland  ECL<br>Efficient<br>Capital Labs  torch    |
| Index<br>Ventures                                  | 11                            | albert  PointFive  Daydream  Pepper    |
| Calm Ventures                                     | 10                            | air<br>ops  better.  CoverForce  Operant   |
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Source: Pitchbook as of December 2024. Note: Data includes funding rounds exceeding \$5 million for companies with a valuation under \$150 million.



# Looking Ahead



# Looking Ahead

The SaaS M&A landscape in 2025 is poised for continued growth, driven by innovation, global expansion, and the increasing demand for specialized software solutions. While challenges remain, a key trend is the rise of lower–middle market SaaS as a prime target for acquisitions.

## Why Lower–Middle Market?

- **Attractive Valuations:** Smaller valuations combined with potential for growth through roll-up strategies and operational improvements make these companies compelling investments.
- **Scalability and Resilience:** Lower–middle market SaaS companies offer growth potential and the ability to adapt in a volatile market.
- **Focus on Value Creation:** Investors seek businesses with clear pathways to profitability and efficient scaling.

## Key Trends:

- **Vertical SaaS Consolidation:** Companies with deep industry expertise are highly desirable for larger players seeking to expand their portfolios.
- **AI and Automation Integration:** Acquirers are prioritizing companies with AI-powered analytics and automation capabilities.
- **Subscription Management Platforms:** Platforms optimizing subscription management and retention are gaining traction for boosting customer lifetime value.

In conclusion, the SaaS M&A landscape in 2025 presents exciting opportunities, particularly within the lower–middle market. Driven by attractive valuations, scalability, and a focus on value creation, this sector is poised for continued expansion, with acquirers well–positioned to capitalize on its potential.

# Behind this Report



**Rohit Kumbhar** 

Senior Associate

Rohit Kumbhar is a Senior Associate on the Investment Banking team at FE International. He has extensive experience in investment banking across multiple sectors and has overseen more the \$1 billion in deal value. Previously, he worked as an Associate at Bank of America serving FTSE 100/250 clients for corporate broking advisory, investor engagement and M&A.



**Benjamin Wu** 

Analyst

Benjamin Wu is an Analyst on the Investment Banking team at FE International. He has helped close over \$3 billion in deal value to date. Previously, he worked in M&A and Leveraged Finance transactions with the Financial Sponsors Group at TD Securities.



**Ismael Wrixen** 

Executive Chairman

Ismael Wrixen is the Executive Chairman of FE International and the CEO of ThriveCart. He is a member of the Forbes Finance Council and a NACVA 40 Under 40 Award winner. Before FE, Wrixen was in large-cap M&A investment banking, where he executed several high-profile public deals, namely in the technology sector.



**Thomas Smale** 

Chief Executive Officer

Thomas Smale dedicates his career to helping founders get acquired on their terms. He built FE into the leading advisor for lower middle market technology businesses. FE's team has completed over 1,500 transactions with a combined value of over \$50 billion. Thomas offers invaluable technical, diligence, and negotiation advice to early-stage and seasoned business owners alike.



**Randal Stephenson** 

Head of Investment Banking

Randal Stephenson has over 25 years of experience in both M&A advisory and debt and equity capital raising. He has closed over 300 transactions valued at \$44 billion across 22 countries. Before FE, he held senior investment banking positions at Merrill Lynch, Jefferies, CIT Group, and Duff & Phelps.

# About FE International

Founded in 2010, FE International is an award-winning strategic advisor for technology businesses. With a proven track record of success in this space, FE International offers a comprehensive suite of services which include:

- **Investment Banking:** Investment banking built for the lower middle market including M&A, private capital placement, and valuation services provided by FE Capital Markets.
- **Private Sales & Acquisitions:** Buy or sell privately held technology businesses with our seasoned team.
- **Due Diligence Services:** Gain a clear, strategic view of a company's financials and operations with our comprehensive due diligence services.
- **Early-Stage Funding:** Streamline your capital raise in partnership with Funden, a managed fundraising service for busy founders.

1,500+

Transactions completed on behalf of clients<sup>1</sup>

\$48M

Average Transaction Value

94.1%

Percentage Completed Transactions<sup>2</sup>

70%+

Percentage of Sell-Side Transactions

## Sector Expertise



Ecommerce



Artificial Intelligence



Agency & Marketing Solutions



Marketplace Apps



Education Technology and Online Training



Cybersecurity



FinTech

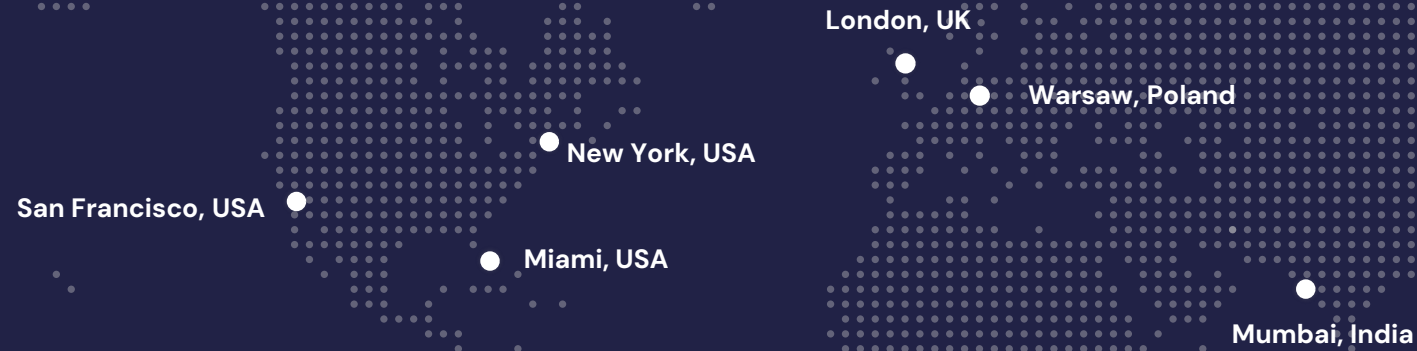


SaaS

Source: Company data.

1. Includes approximately 300 transactions completed by FE professionals while at other firms.

2. Sell-Side transactions, measured from the date of launch of buyer outreach and marketing.



Awards:



Featured in:



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