

Executive Summary

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2025 Deal Volume Has Reached a Decade High, While Total Deal Value Reached Its Second Highest in the Last Decade



Strategic Premium Has Expanded to 27% Versus Financial Buyers, While PE Multiples Have Stabilized Around Their Long-Term Average



Public SaaS Stocks Sold Off in Q4, with Median EV Multiple Falling 16% to a Nine-Year Low of 4.6x NTM Revenues

Key Market Updates

Software M&A activity accelerated through 2025, hitting record deal volume at 2,897 announced transactions—a 35% year-on-year increase. Aggregate deal value reached \$291 billion (bn), the second highest on record. The surge was led primarily by strategic acquirers, who drove the highest share of activity in nine years at 71% of total announced deals, reflecting a wave of companies acquiring AI-critical capabilities and platforms to reposition for the next technology cycle. Strategic buyers also supported higher valuations, paying a 27% premium to financial sponsors—at 5.6x enterprise value/last twelve months (EV/LTM) revenues versus 4.4x—representing both the largest strategic premium in a decade and a 14% increase compared with 2024’s 4.9x.

Deal activity in Q4 2025 broadened across company sizes and sectors, with just one mega-cap transaction (> \$10 bn) and strong activity spanning cybersecurity, infrastructure, customer engagement, enterprise resource planning (ERP) and vertical market software. The period also saw several nontraditional acquirers—including CBRE, Caterpillar, Itron, and Thermo Fisher Scientific—entering the market as AI, digitization and cloud migration accelerated the shift toward software-enabled business models.

In public markets, non-AI enterprise software spending moderated as IT budgets tilted toward AI initiatives. As a result of falling growth rates, public Software-as-a-Service (SaaS) valuations declined, with median next twelve months (NTM) revenue multiples down 16% in Q4 to near decade lows at 4.6x, while the top quartile fell 15% to 7.7x. Most sectors softened—notably vertical market software, customer experience, ERP and cybersecurity, which are all sectors that saw some of the most M&A activity in the quarter, highlighting the urgency among strategic acquirers to secure AI-driven growth through M&A.

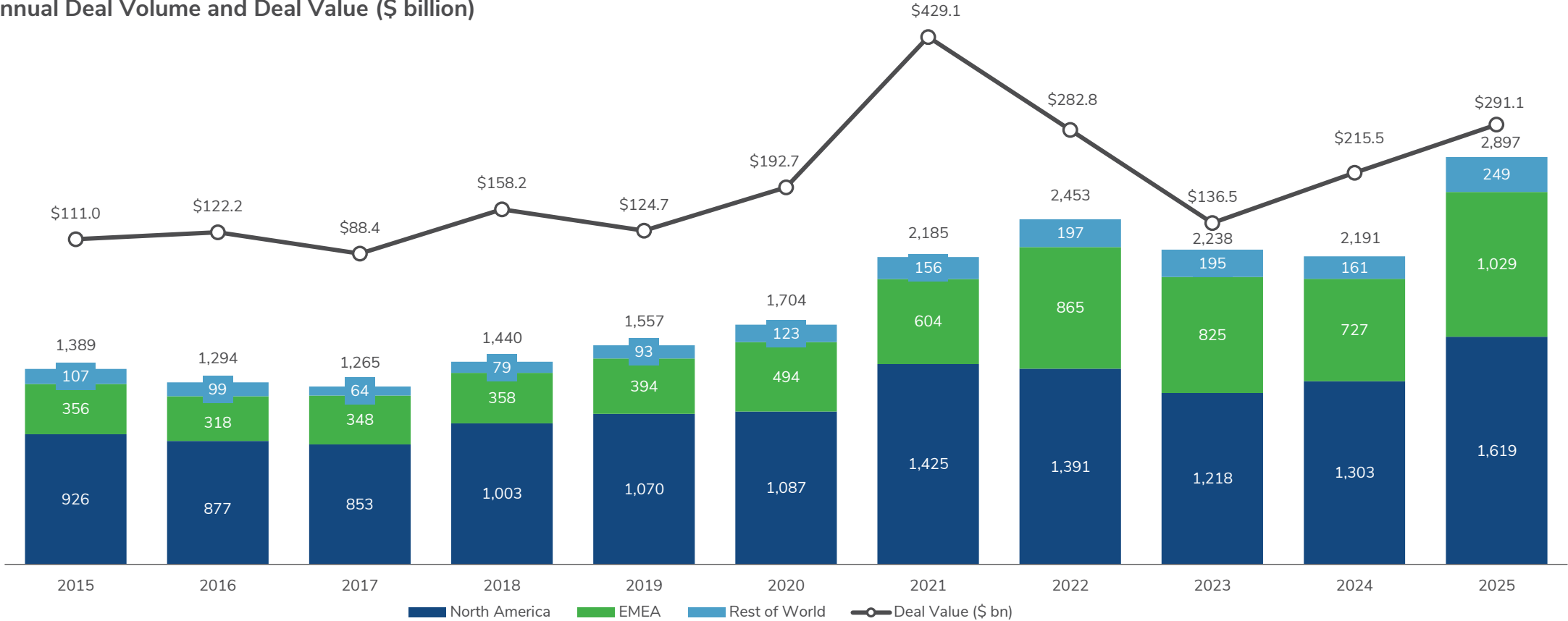
In the first few weeks of 2026 the public SaaS sell-off accelerated into a “SaaSocalypse” with a further 23% fall in the S&P North American Technology Software Index as of February 5. The dramatic sell-off reflects a sharp rethink of how generative AI may erode traditional software economics, as investors digest the release of tools such as Anthropic’s Claude Cowork. Additional concerns include potential disruption of the per seat pricing model and margin profile of software companies, alongside a reassessment of valuation amidst slowing growth.

While a strong case can be made that fleet-of-foot incumbent vendors of enterprise systems of record software will be net beneficiaries in the AI transition, what is clear is that AI remains a central theme shaping investment and deal rationale. In navigating this ongoing transition, the M&A market favors strategically driven buyers and well-prepared sellers with data moats, robust key performance indicators and technology stacks with embedded AI and agentic capabilities.

2025 Deal Volume has Reached a Decade High, while Total Deal Value Reached its Second Highest in the Last Decade

2025 Deal Volume Surpassed 2024 By 32%, while Deal Value Climbed By 35% to Secure Decade's Second Highest

Annual Deal Volume and Deal Value (\$ billion)



Source: 451 Research and Mergermarket as of December 31, 2025

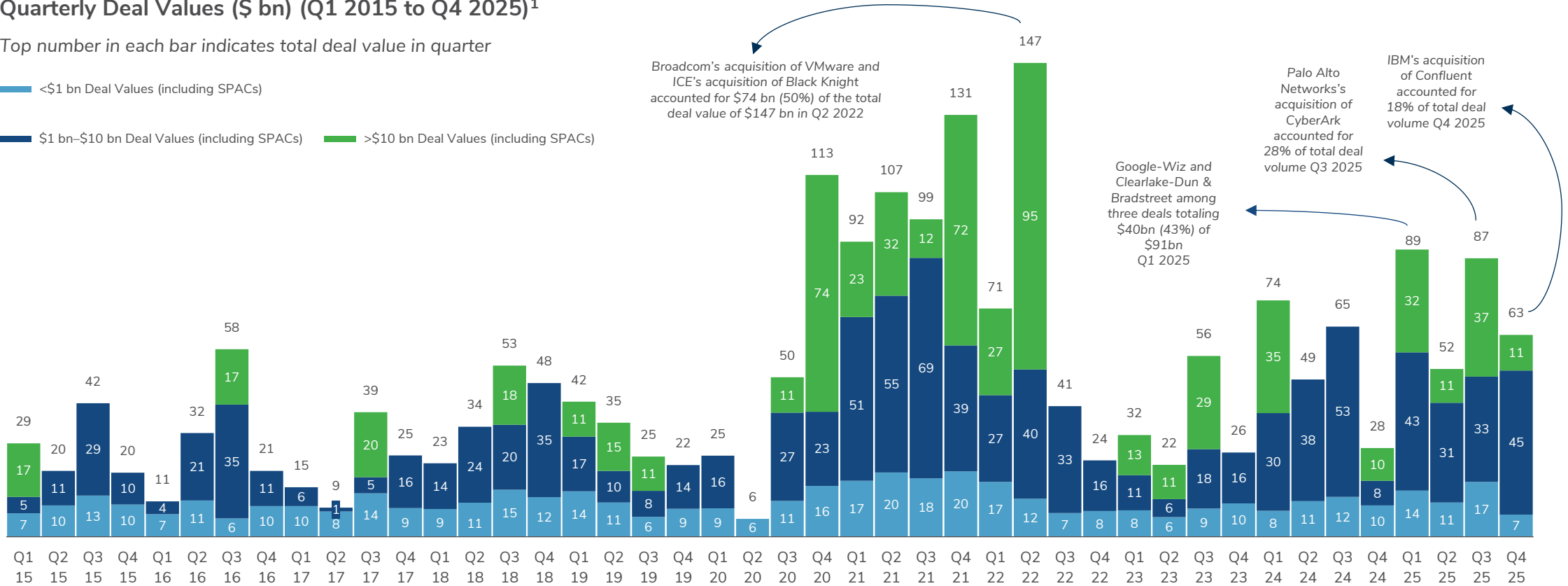
Q4 2025 Marks Second-Strongest in the Last Decade, Driven by an Uptick in Deals \$1 bn–\$10 bn

Deal Value in the \$1 bn–\$10 bn Range Nearly Quintupled Year-over-Year

Quarterly Deal Values (\$ bn) (Q1 2015 to Q4 2025)¹

Top number in each bar indicates total deal value in quarter

- <\$1 bn Deal Values (including SPACs)
- \$1 bn–\$10 bn Deal Values (including SPACs)
- >\$10 bn Deal Values (including SPACs)



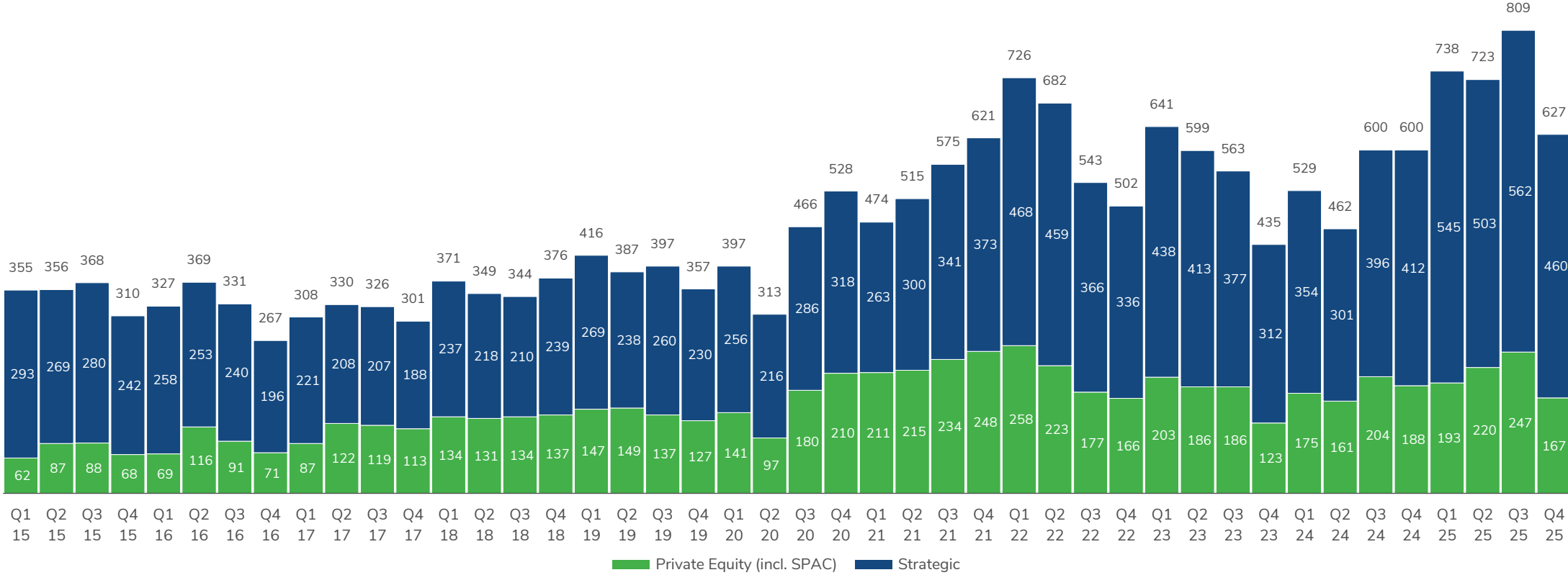
¹Between January 1, 2015, December 31, 2025; SPAC = Special Purpose Acquisition Company
Source: 451 Research and Mergermarket as of December 31, 2025

Q4 2025 Strategic Volume Surpasses All Prior Q4s in the Last Decade

2025 Ended with 460 Strategic Transactions Driving Total Deal Volume to 627, a 4% Increase Over the Previous Year

Quarterly Deal Volume (Q1 2015 to Q4 2025)¹


Top number in each bar indicates total deal volumes in quarter




¹Between January 1, 2015, and December 31, 2025; Private Equity includes acquisitions made by PE-backed platforms, whereby the PE holds a majority stake in the acquirer
Source: 451 Research and Mergermarket as of December 31, 2025

Top Six Software Acquisitions over Q4 2025 by Enterprise Value

December 2025

 **CONFLUENT**
acquired by





Confluent provides generative AI, cloud-native, and open source-based database management and data streaming SaaS for businesses globally. The software enables real-time data processing and integration across hybrid environments, featuring robust tools for data collection, storage, analytics, and security for applications, machine-to-machine sensors, and diverse Internet of Things (IoT) devices.

IBM's acquisition of Confluent establishes a smart data platform designed to accelerate the deployment of generative and agentic AI. By integrating Confluent's real-time streaming with IBM's hybrid cloud portfolio, the company will bridge fragmented data silos. This strategic move ensures trusted data flow across environments, providing the foundational infrastructure necessary for modern, AI-driven enterprise operations.

\$11.1 bn **10.0x**

October 2025

 **PG Forsta**
acquired by





Qualtrics provides cloud-native experience management software for businesses and healthcare organizations. The software enables real-time sentiment analysis and data collection across touchpoints, featuring tools for predictive analytics, automated reporting, and integration of feedback from digital applications, patient surveys, and enterprise communication channels.

Qualtrics' acquisition of Press Ganey and Forsta forms a specialized AI infrastructure to bridge the gap between generic automation and industry-specific intelligence. By integrating deep domain expertise with its core platform, Qualtrics eliminates the barriers of trust and relevance in AI adoption. This strategic consolidation utilizes precise, sector-specific data to accelerate the transition from passive feedback to autonomous, performance-driven operational improvements.

\$6.8 bn **N/A**

October 2025

 **CLARIO**
acquired by





Clario Holdings provides high-quality endpoint data collection and clinical trial software for pharmaceutical and biotechnology businesses globally. The software enables secure capture of medical imaging, cardiac, and respiratory data, with features for scientific evidence management, regulatory compliance, and digital patient monitoring across all phases of drug development.

Thermo Fisher's acquisition of Clario builds a specialized digital infrastructure to optimize clinical trial efficiency and enhance data-driven decision-making. By integrating Clario's endpoint intelligence with Thermo Fisher's expansive biopharma services, the merger eliminates research silos. This strategic integration captures significant synergy value by providing the high-fidelity data requisite for shortening development cycles and maximizing therapeutic ROI.

\$9.0 bn **7.5x**

November 2025

 **chronosphere**
acquired by





Chronosphere provides cloud-native and open-source observability and business monitoring software for enterprises. The software enables full-stack metric monitoring and infrastructure oversight, featuring tools for performance management, service level tracking, and telemetry dashboarding to maintain system resilience across complex, high-volume cloud and AI-driven environments.

Palo Alto Networks' acquisition of Chronosphere secures a high-growth telemetry engine to disrupt the observability market through agentic automation. By integrating Chronosphere's scalable data processing capabilities with the Cortex AgentiX platform, Palo Alto pivots from passive monitoring to autonomous remediation. This strategic entry leverages triple-digit revenue growth to solidify mission-critical uptime for AI-native architectures.

\$3.4 bn **20.9x**

December 2025

 **ARMIS**
acquired by




Armis provides real-time cyber exposure management and security software for businesses and critical infrastructure globally. The software enables agentless discovery and classification of managed and unmanaged assets across IT, operational technology, and medical environments, with features for threat intelligence, risk prioritization, and continuous monitoring of the expanding digital attack surface.

ServiceNow's acquisition of Armis creates a unified security operations stack to bridge the gap between asset visibility and automated remediation. By integrating Armis' agentless intelligence with ServiceNow's workflow engine, the company triples its total addressable market within security and risk. This vertical integration creates a high-margin, autonomous defense platform that transforms reactive security spend into a proactive, agentic-AI asset.

\$7.8 bn **22.8x**

October 2025

 **nexthink**
acquired by



Nexthink provides cloud-native and AI-powered digital employee experience (DEX) management software for enterprises. The software enables real-time observation and discovery of IT issues, featuring tools for employee engagement, impact assessment and automated remediation to maintain seamless technology performance across distributed workforces.

Vista Equity Partners' investment in Nexthink secures a market-leading platform within the high-growth DEX sector. By leveraging Vista's operational excellence and Nexthink's agentic-AI architecture, the partnership accelerates innovation in proactive IT management. This strategic capital infusion positions Nexthink to scale its automated remediation capabilities and capitalize on strong AI tailwinds as distributed digital productivity becomes a mission-critical enterprise priority.























\$3.0 bn **N/A**

EV = enterprise value; LTM = last twelve months
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Source: 451 Research, Mergermarket, Press Releases as of December 31, 2025

























Other Notable Software Deals during Q4 2025

Strategic Deals (Q4 2025)

Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
Oct-25	 CSG	 NEC	\$2.4 bn 2.3x	Customer experience, billing, & payments
Nov-25	 Intelera	 GE HealthCare	\$2.3 bn N/A	Medical imaging
Nov-25	 SEMRUSH	 Adobe	\$1.7 bn 4.0x	SEO & brand visibility
Nov-25	 PEARCE	 CBRE	\$1.2 bn N/A	Engineering project management
Oct-25	 GTreasury	 ripple	\$1.0 bn N/A	Digital treasury management
Dec-25	 veza	 servicenow	\$1.0 bn 40.0x	Identity security & authorization
Oct-25	 RPMGLOBAL	 CATERPILLAR	\$690 mn 3.7x	Mining ERP & simulation
Oct-25	 SciTEC	 FIREFLY	\$604 mn N/A	Defense data processing
Nov-25	 LOCUSVIEW	 Itron	\$525 mn N/A	Digital construction management
Oct-25	 Urbint	 Itron	\$325 mn N/A	Safety incident intelligence
Nov-25	 Aisera	 AUTOMATION ANYWHERE	\$325 mn 6.0x	Agentic AI workflows automation

PE Deals² (Q4 2025)

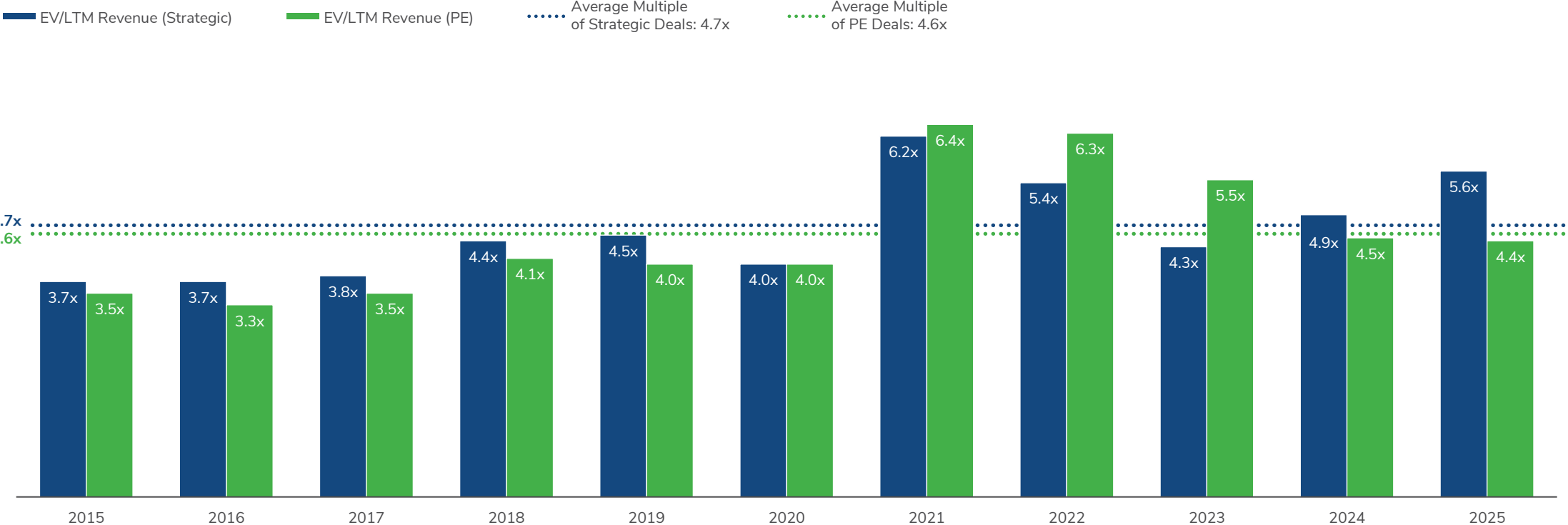
Date	Target	Acquirer	Enterprise Value and Multiple ¹	Target Abstract
Oct-25	 jamf	 FP FRANCISCO PARTNERS	\$2.2 bn 3.2x	Endpoint security & device management
Nov-25	 RAPTOR TECHNOLOGIES	 WARBURG PINCUS	\$1.8 bn N/A	School safety management
Oct-25	 securiti	 VEEAM INSIGHT PARTNERS	\$1.7 bn 23.0x	Data protection & privacy management
Nov-25	 greendot Non-bank Financial Technology Business Assets & Operations	 SMITH VENTURES	\$690 mn N/A	Retail embedded finance
Nov-25	 ptc Industrial Connectivity & IoT businesses	 TPG	\$600 Mn 3.0x	Industrial connectivity & IoT
Dec-25	 catchpoint	 LogicMonitor VISTA	\$250 mn 5.0x	Internet performance monitoring
Nov-25	 Matthews INTERNATIONAL Warehouse Automation Business	 DURAVANT WARBURG PINCUS	\$230 mn 3.2x	Warehouse automation
Oct-25	 opentext eDOCS	 netdocuments WARBURG PINCUS / COVE HILL PARTNERS	\$163 mn 5.4x	Enterprise content management
Oct-25	 CREDAS	 SmartSearch Triple	\$104 mn N/A	Identity verification
Nov-25	 OEC	 FP FRANCISCO PARTNERS	N/A N/A	Automotive aftersales & e-commerce management
Oct-25	 TrustArc	 MAIN CAPITAL PARTNERS	N/A N/A	Data privacy management

¹Deal Multiple = Enterprise Value/LTM Revenue, unless otherwise specified; ²PE deals include acquisitions made by PE-backed strategics, whose owners are indicated below the gray line, and exclude deals involving SPAC vehicles; All trademarks, trade names or logos referenced herein are the property of their respective owners; Source: 451 Research and Mergermarket as of December 31, 2025

Strategic Multiples Expanded by 14% Compared to 2024, While PE Multiples Have Stabilized Around Their Long-Term Average

Strategic Buyers Continue to Pay Premiums for Strategic Assets, Especially for AI Native Assets

Annual Median Deal Multiples



EV = Enterprise Value or Market Capitalization + Total Debt – Cash
 PE deals include acquisitions made by PE-backed strategics
 Source: 451 Research as of December 31, 2025

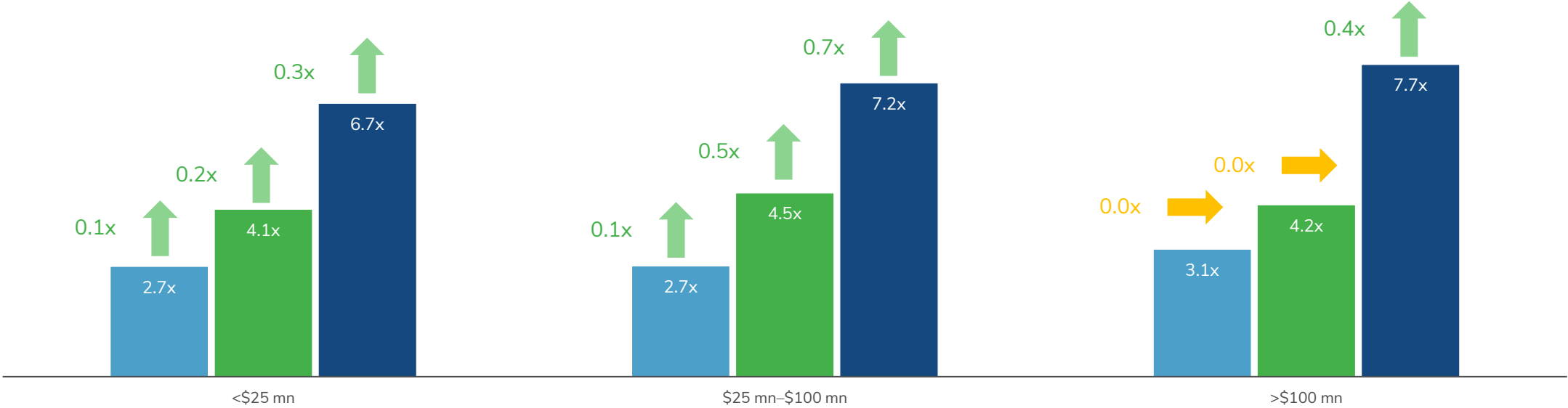
Increasingly Polarized Valuations for Top Quartile versus Others, as Upper Quartile Multiples Gained Across all Size Ranges

Significant Uplift in \$25 mn-\$100mn Bracket Compared to Q3 2025

Deal Multiples Quartiles by Last 12 Months Revenue

— First Quartile — Median — Third Quartile

Values in green / red indicate change in multiples compared to Q3 2025 EV / Revenue multiples

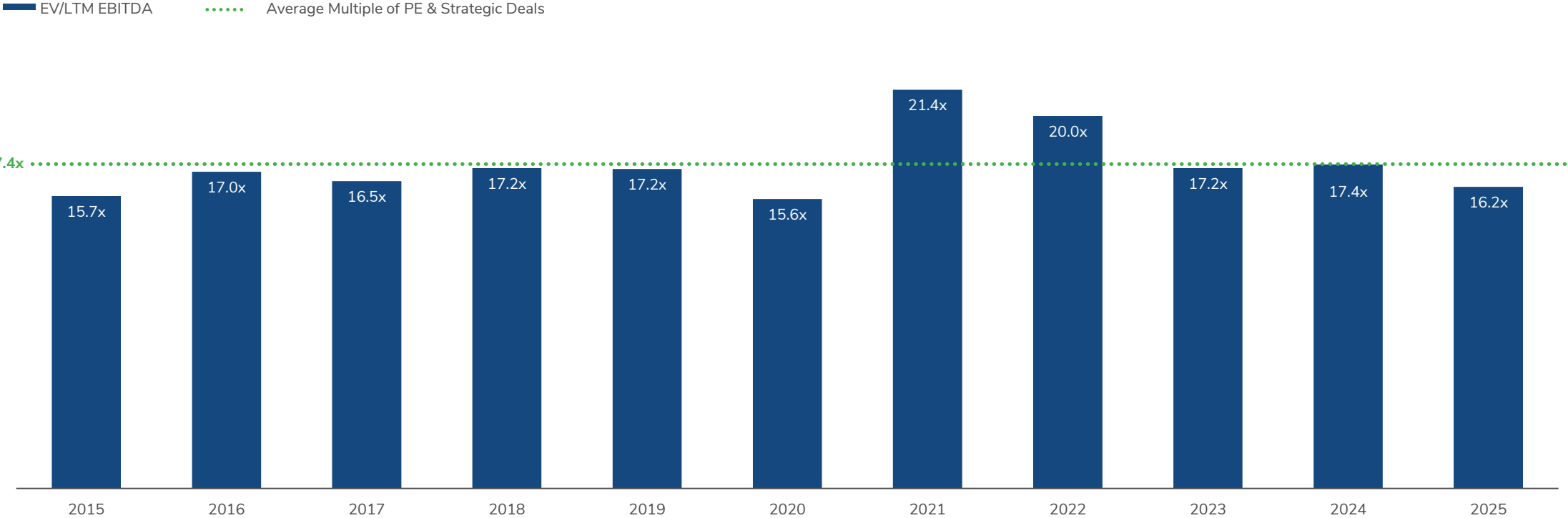


Transactions selected are based on the following parameters: (i) target company with SaaS business model; (ii) transaction announced between September 30, 2023, and September 30, 2025; (iii) disclosed EV/LTM revenue multiple; and (iv) excluding outliers and SPAC transactions
 Source: 451 Research and Mergermarket as of September 30, 2025

EV/LTM EBITDA Multiples Contracted by 7% to 16.2x in 2025

EBITDA Multiples Show Greater Stability Than Revenue Multiples, Aside From 2021 and 2022

Annual Median Deal Multiples

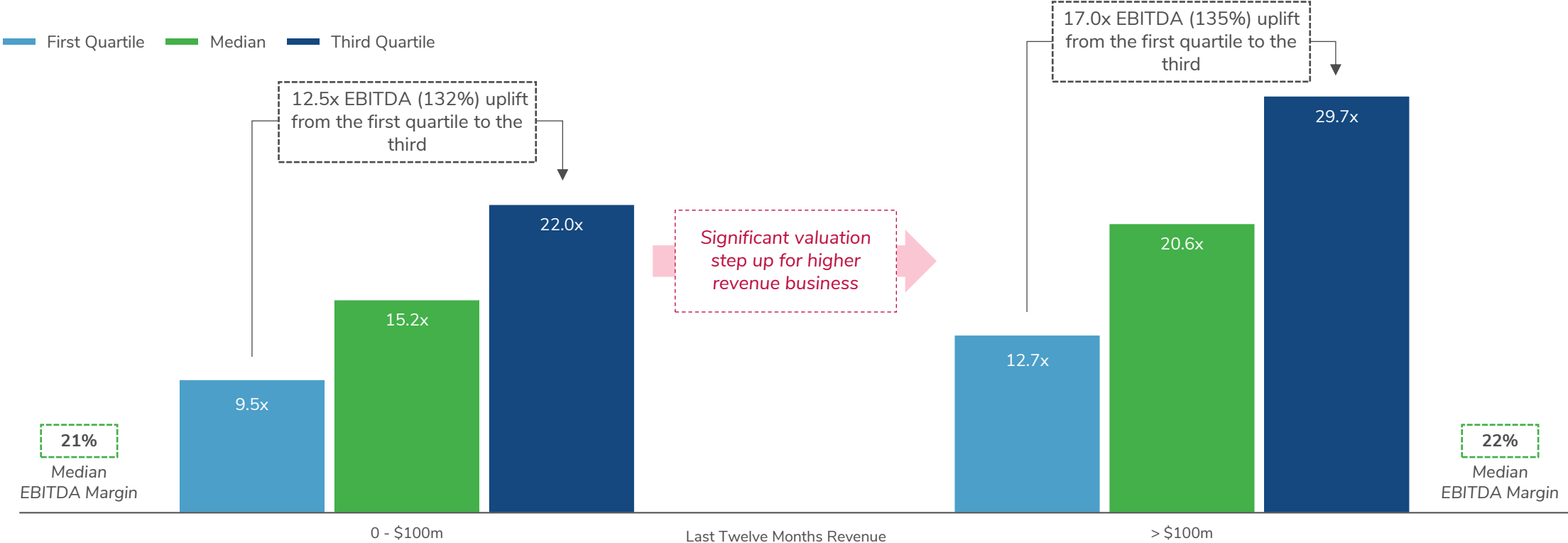


EV = Enterprise Value or Market Capitalization + Total Debt – Cash
Source: 451 Research as of December 31, 2025

Size Matters - Significant EBITDA Multiple Premium at >\$100m Revenue

Valuation uplift of up to 135% from the 1st to the 3rd quartile, and 35% when revenues >\$100m

EBITDA Multiples



Transactions selected are based on the following parameters: (i) target company with SaaS business model; (ii) transaction announced between January 1, 2024, and December 31, 2025; (iii) disclosed EV/EBITDA multiple; and (iv) excluding outliers and SPAC transactions
 Source: 451 Research and Mergermarket as of December 31, 2025

Kroll's Technology Investment Banking Practice Tracked Universe of Public Software Companies



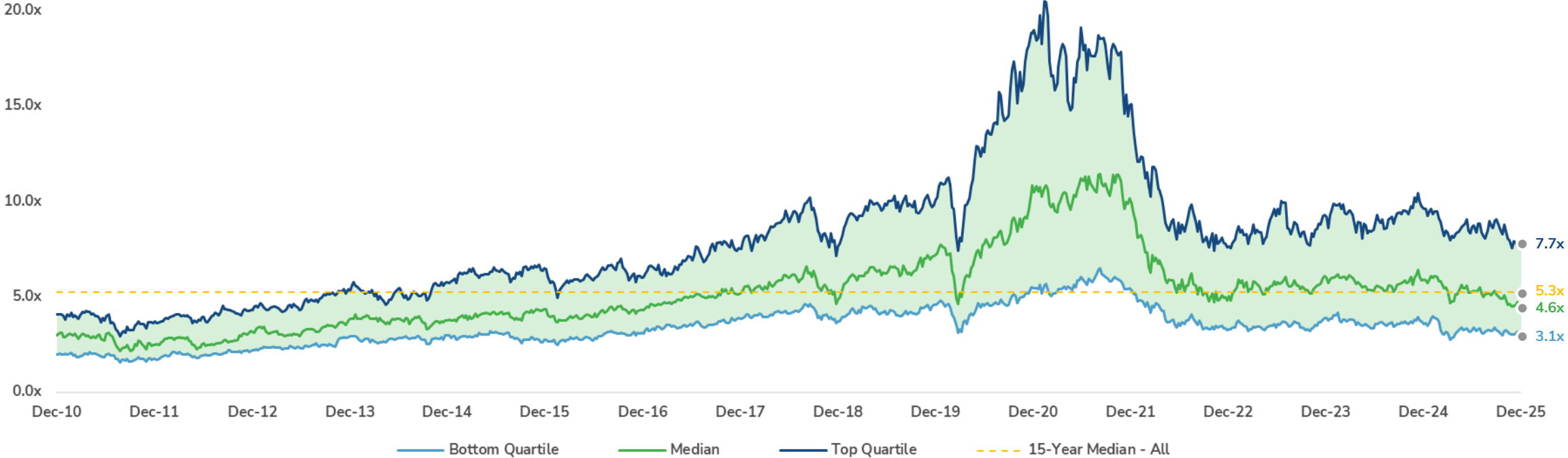
ERP = Enterprise Resource Planning; HCM = Human Capital Management
 Source: S&P Global Market Intelligence as of December 31, 2025, including the most actively traded software companies for respective covered sectors and excluding most microcap companies
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Public SaaS Companies' EV/NTM Revenue Multiples trending below the 15-Year Median

Median Multiple Trading at 4.6x EV/NTM Revenue Versus Long-Term Average of 5.3x

Performance of Our Technology Investment Banking Practice SaaS Index over the Past 15 Years

EV/NTM Revenue



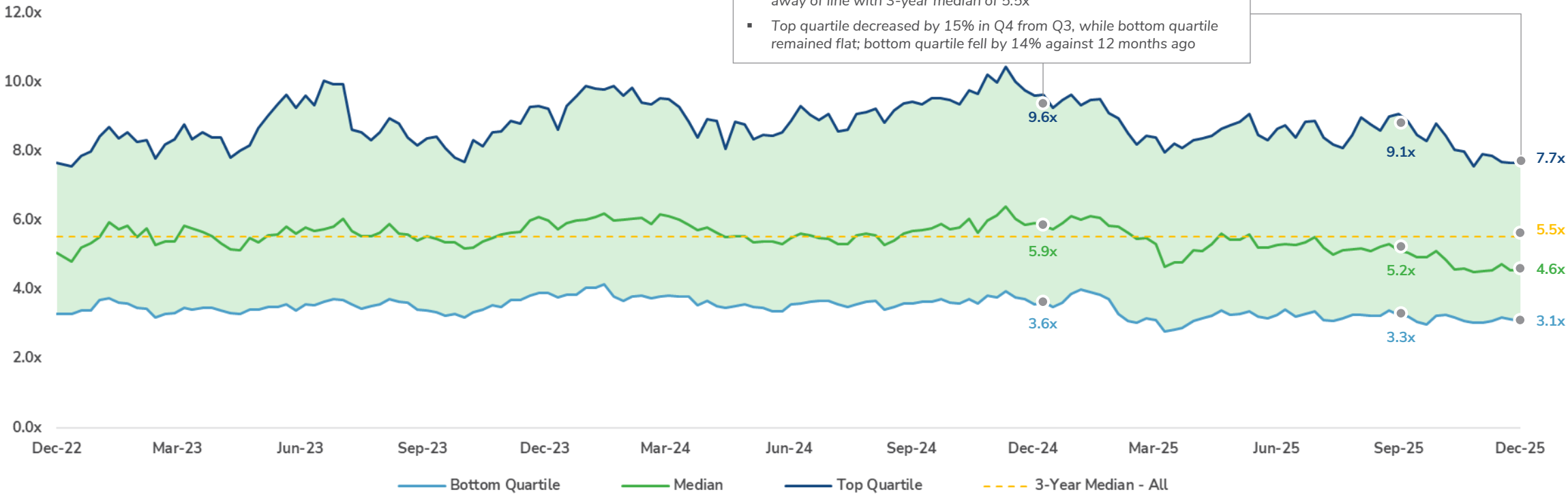
Our Technology Investment Banking Practice SaaS Index includes 172 companies that offer SaaS solutions; NTM = Next Twelve Months
Source: Capital IQ as of December 31, 2025

Revenue Multiples Have Significantly Declined Over Last Quarter with Median Now Well Below 3-Year Average

Median EV/NTM Revenue Multiple Decreased by 16% in Q4, While Top Quartile Declined by 15%

Performance of Our Technology Investment Banking Practice SaaS Index over the Past Three Years

EV/NTM Revenue

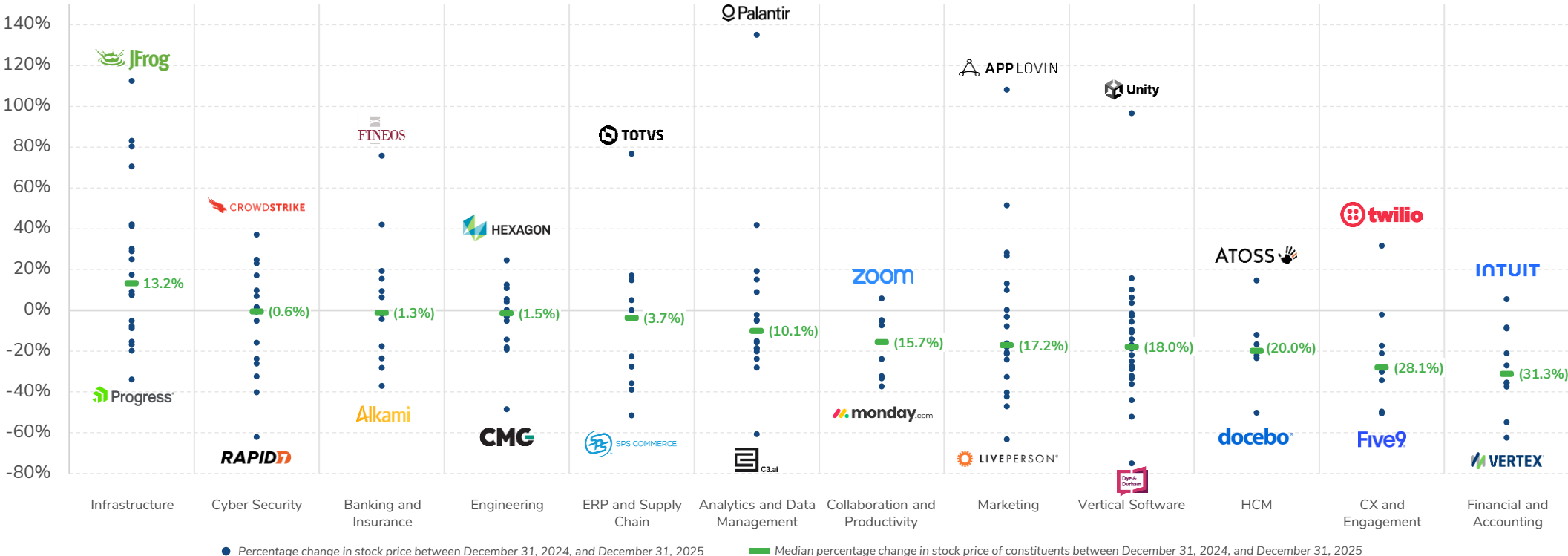


Our Technology Investment Banking Practice SaaS Index includes 172 companies that offer SaaS solutions; NTM = Next Twelve Months
Source: Capital IQ as of December 31, 2025

Last 12 Months Performance of Stock Prices

Significant Declines Across Half of the Subsectors, with Major Differences between High and Low Performers

Performance of Our Technology Investment Banking Practice’s Tracked Software Universe between December 31, 2024, and December 31, 2025

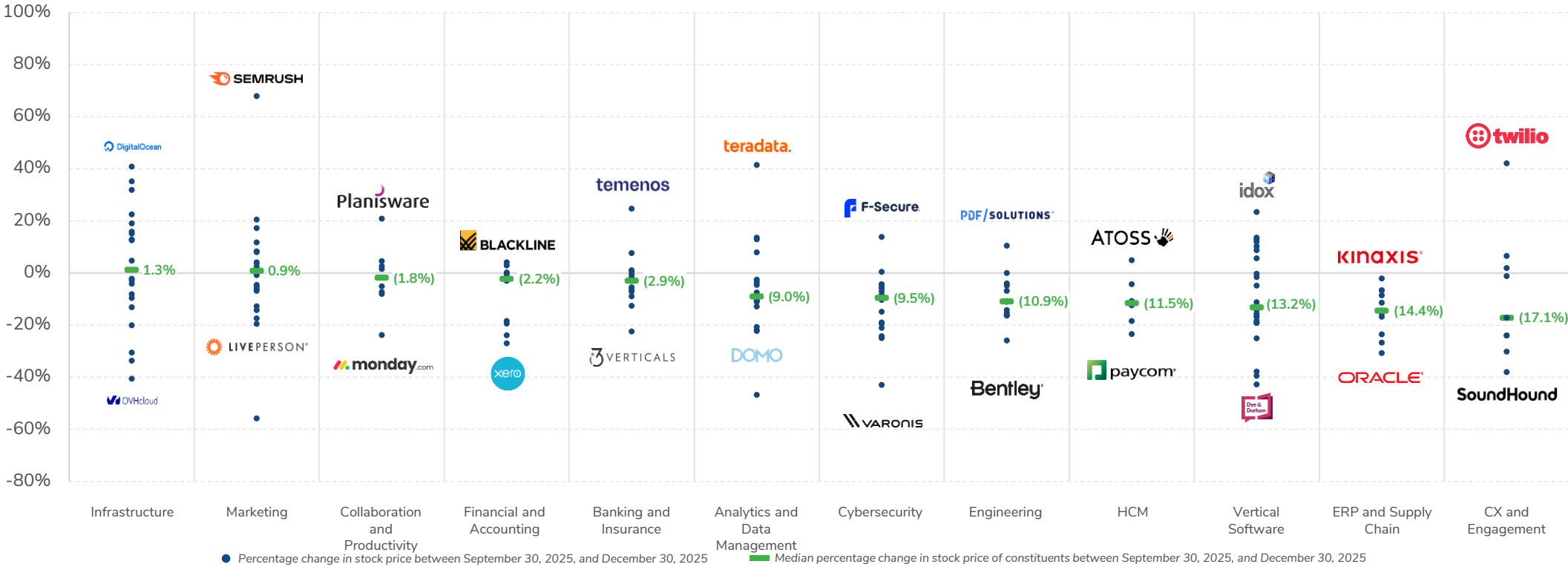


Does not include companies listed after September 30, 2025; Buckets ordered by median percentage change in stock price between December 31, 2024, and December 31, 2025; All trademarks, trade names, or logos referenced herein are the property of their respective owners
 Source: Capital IQ as of December 31, 2025

Quarterly Performance of Stock Prices

On Aggregate, Most Software Subsectors Have Declined During The Last Three Months

Performance of Our Technology Investment Banking Practice’s Tracked Software Universe between September 30, 2025, and December 31, 2025

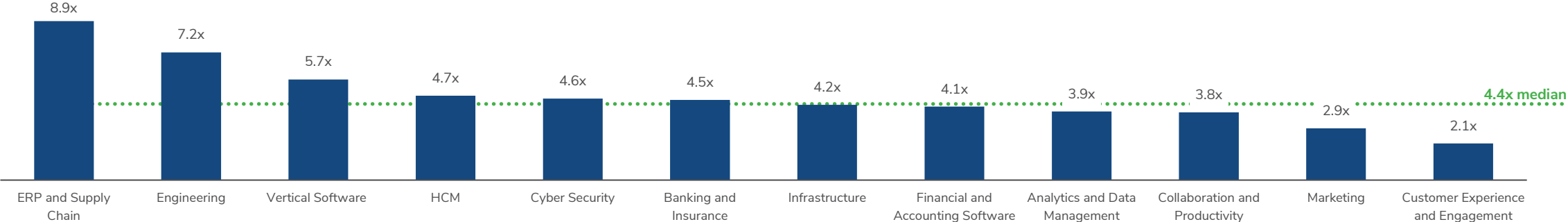


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 Source: Capital IQ as of December 31, 2025

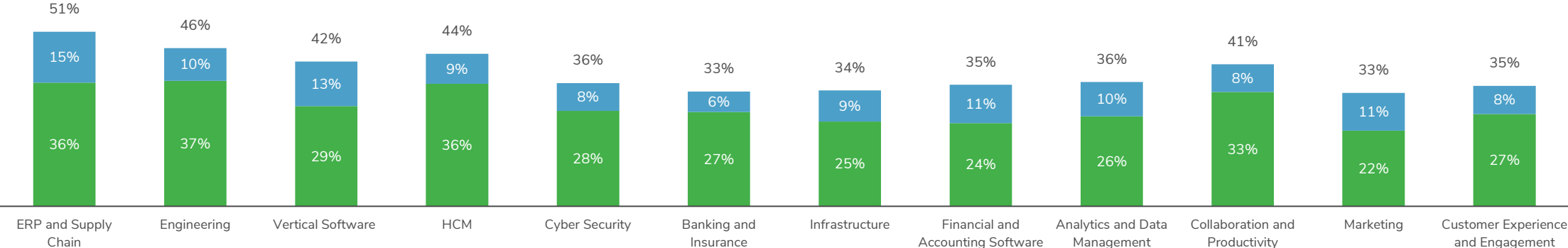
Significant Differences Exist in Multiples Between Software Subsectors

High Multiples for ERP and SCM and Engineering Subsectors Reflected in Strong Revenue Growth and EBITDA Margins

EV / CY26 Revenue Multiples



Revenue Growth & EBITDA Margins



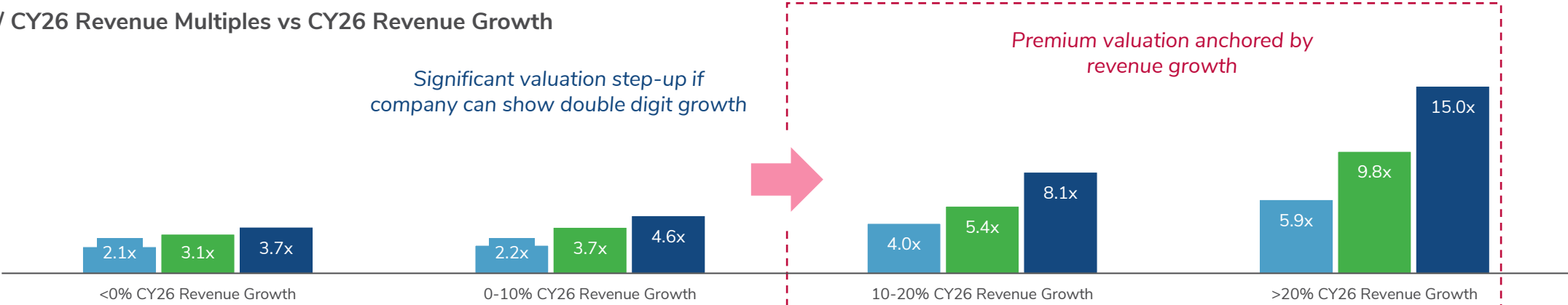
Buckets ordered by CY26 revenue multiples
Source: Capital IQ as of December 31, 2025

■ CY26 Revenue Growth ■ CY26 EBITDA Margin

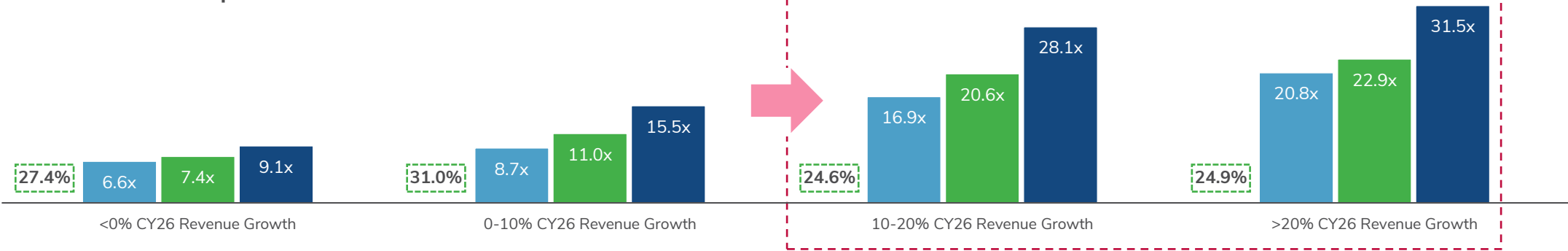
Public Markets Continue to Pay a Premium for Top Bracket Growth Rates

Significant Valuation Step-Up for Companies that Show Double Digit Growth

EV / CY26 Revenue Multiples vs CY26 Revenue Growth



EV / CY26 EBITDA Multiples vs CY26 Revenue Growth



Source: Capital IQ as of December 31, 2025

First Quartile Median Third Quartile Median EBITDA Margin

Download Our Exclusive Valuation Data to Learn More:

[Kroll.com/GlobalSoftwareWinter2025](https://kroll.com/GlobalSoftwareWinter2025)

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