

POSSIBLE (RE)DEFINED

Looking to 2024: Market Volatility Surrounding Valuations of SaaS Companies

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A Fast-Moving Climate Requires
A New Way of Thinking



Possible (Re)Defined Go further, faster

Gain confidence and clarity to tackle challenges
or plan for tomorrow's aspirations

AREA OF FOCUS

Today, We're Covering Empowering Operations

WELCOME

Today's Presenters



Jason Woon

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Armanino



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Partner
Technology Industry
Armanino

KNOWLEDGE

Learning Objectives



TRENDS:
Explore current
VC market
trends



FOCUS:
Look at what
Investors are
considering



FACTORS:
Impacts to
valuations
today

OVERVIEW

Current US Funding Trends

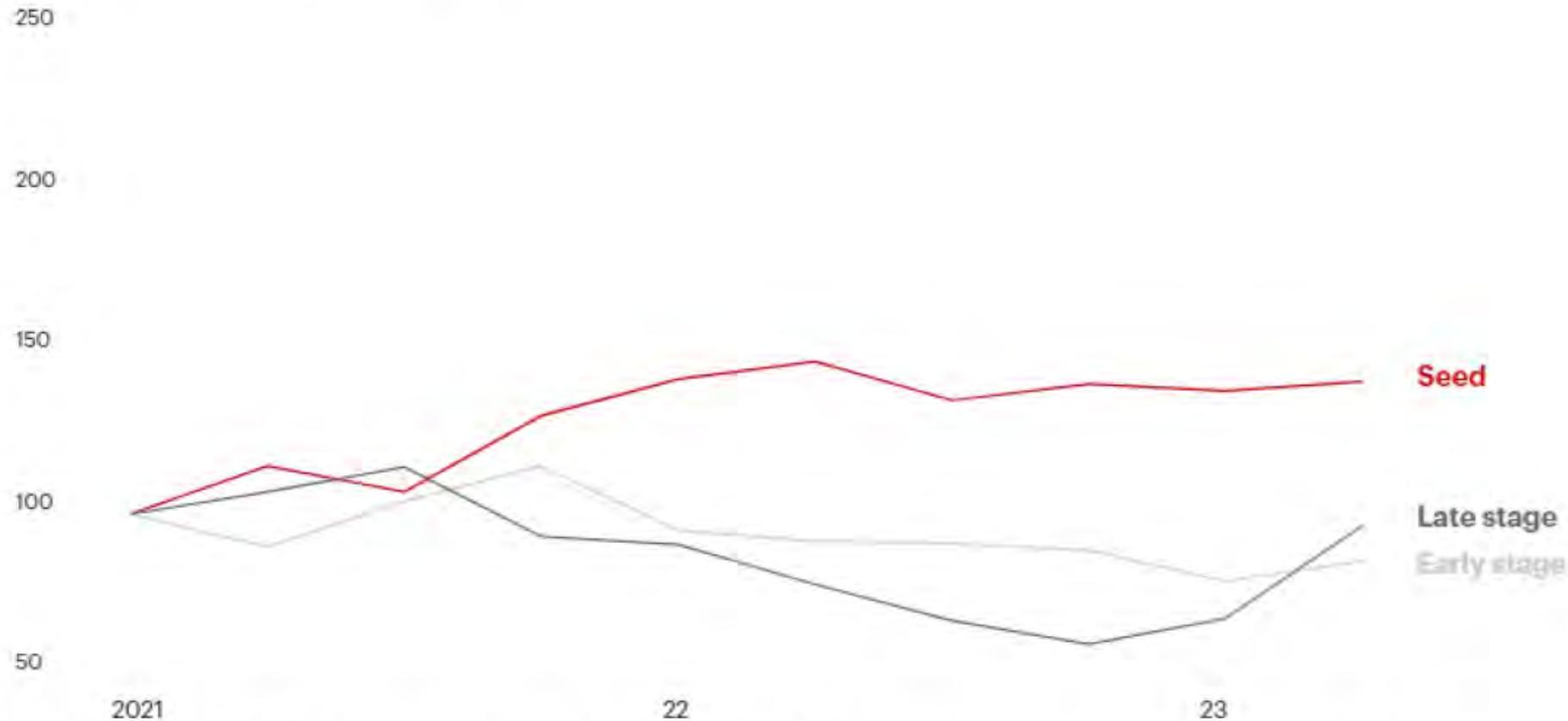
- Quarterly deal count falls to lowest levels since Q2 2018
- Difficult for private companies to secure financing due to “a combination of valuation resets, cost structure reassessments and more stringent structural terms demanded by investors”
- Investors focusing on companies in existing portfolio
- AI is hottest industry currently, with climate tech and life sciences gaining interest
- Valuations in 2020 and 2021 tend to have been inflated
 - Current flat rounds favor investors
 - Seeing some down rounds as well

Sources: https://www.ey.com/en_us/growth/venture-capital/private-companies-navigating-todays-capital-markets (August 23, 2023)

<https://www.bain.com/insights/global-venture-capital-outlook-latest-trends-snap-chart/> (August 11, 2023)

Pitchbook Q3 2023 Venture Monitor (October 2023)

Average deal size, by funding stage (indexed to Q1 2021)



NOTE:

- Industry was recovering from 2022 downturn in early 2023
- Recent decline in Q3 2023

Notes: Seed includes angel, preseed, and seed rounds; early stage includes Series A and B; late stage includes funding rounds Series C or later and private equity rounds; private equity rounds refer to investments by private equity firms or hedge funds in a late-stage funding round, typically upwards of \$50 million; late stage excludes Stripe's \$6.5 billion funding round in the first quarter of 2023

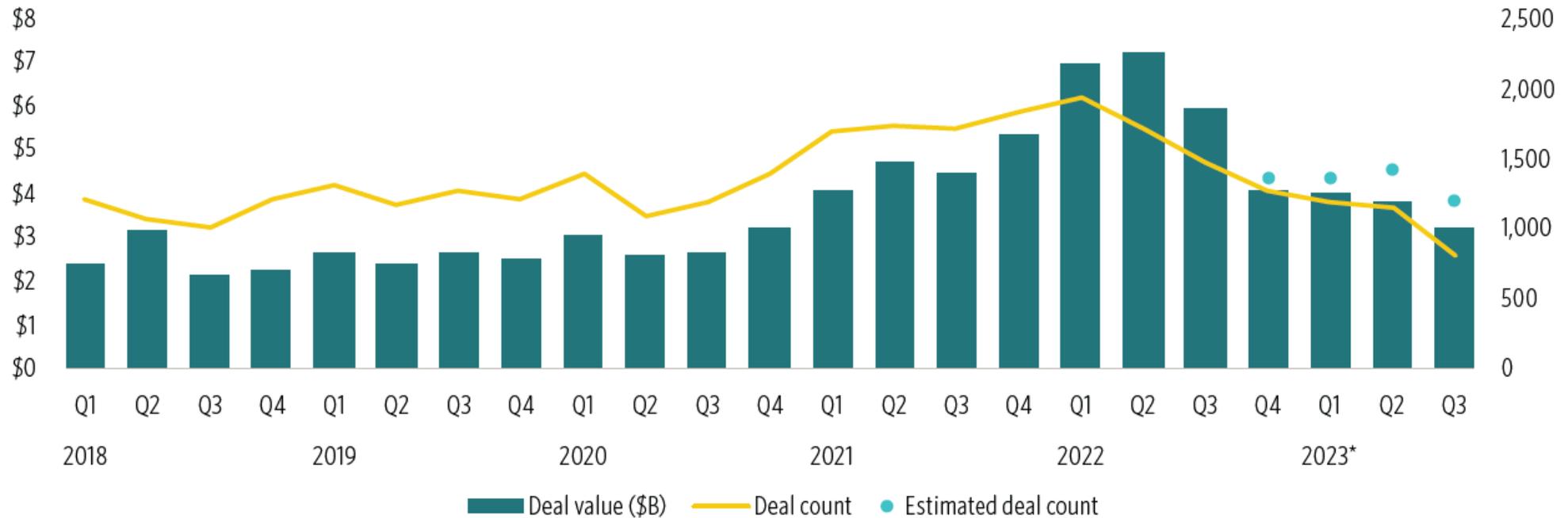
Sources: Crunchbase; Bain Startup Investment Cruncher; Bain analysis

GROWTH BY STAGE

Pre-seed & Seed VC

Q1 pre-seed and seed activity slumps to a 12-quarter low

US pre-seed and seed deal activity by quarter



PitchBook-NVCA Venture Monitor

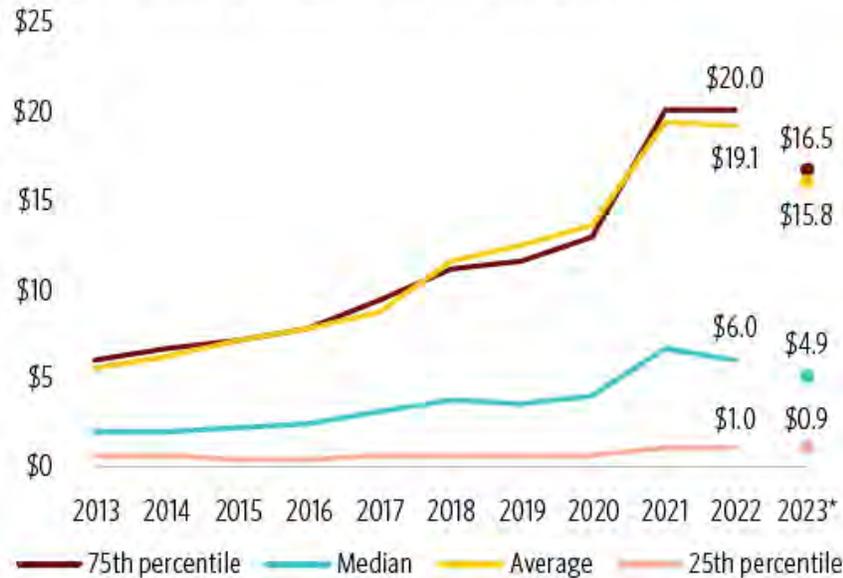
*As of September 30, 2023

GROWTH BY STAGE

Early-stage VC

Median deal size is down 26.7% from 2021 record high, but remains above pre-pandemic figures

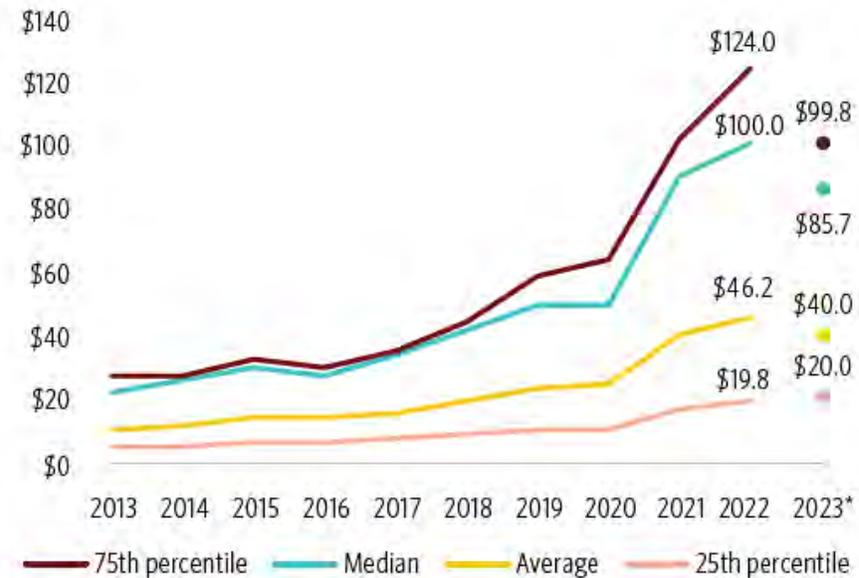
Range of US early-stage VC deal values (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

Median valuation reverts to 2021 figure

Range of US early-stage VC pre-money valuations (\$M)

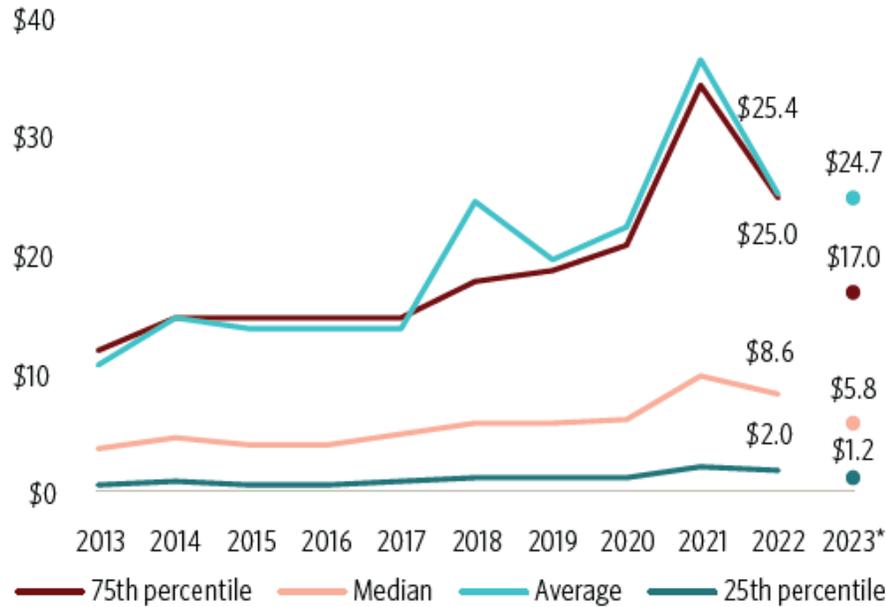


PitchBook-NVCA Venture Monitor
*As of September 30, 2023

GROWTH BY STAGE

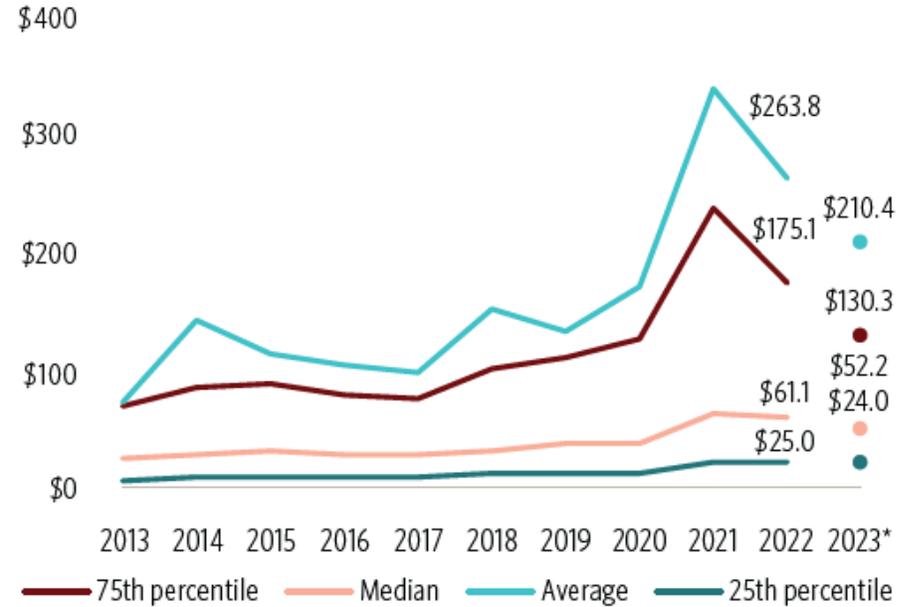
Late-stage VC

YTD median deal size falling to 2019 level
Range of US late-stage VC deal values (\$M)

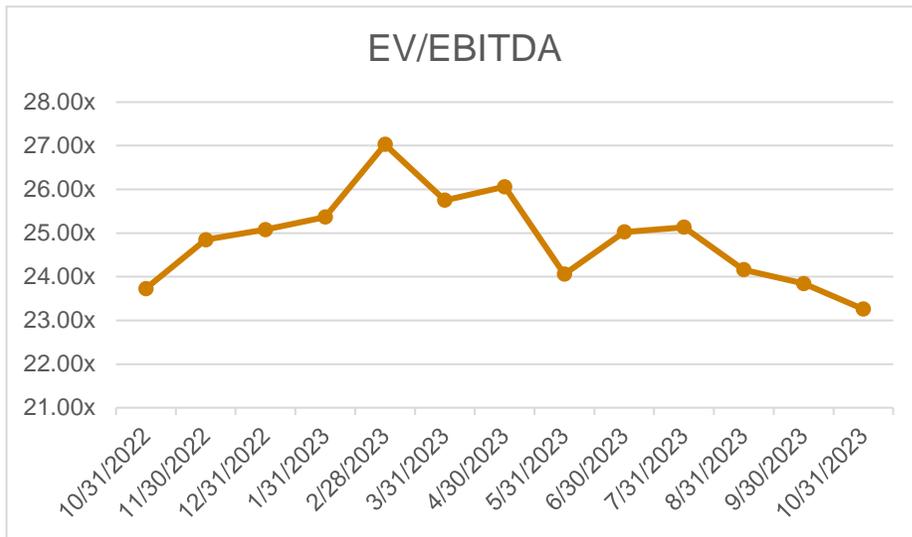
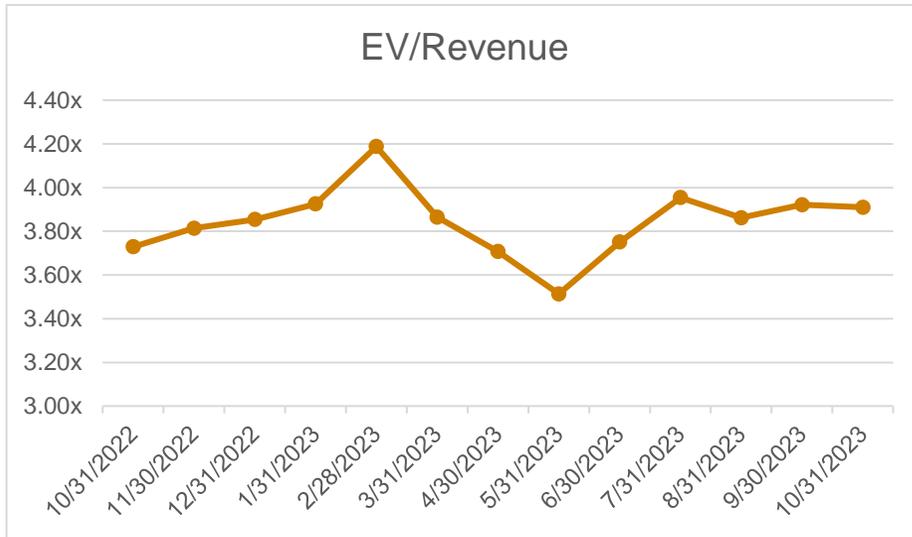


PitchBook-NVCA Venture Monitor
*As of September 30, 2023

YTD median valuation falls below 2022 full-year figure
Range of US late-stage VC pre-money valuations (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023



SAAS INDUSTRY

LTM Multiples & Trends

- Industry was recovering from 2022 downturn in early 2023
- Recent decline in EBITDA multiples in Q3 2023

Source: S&P Capital IQ

OVERVIEW

VC- Backed IPO Multiples

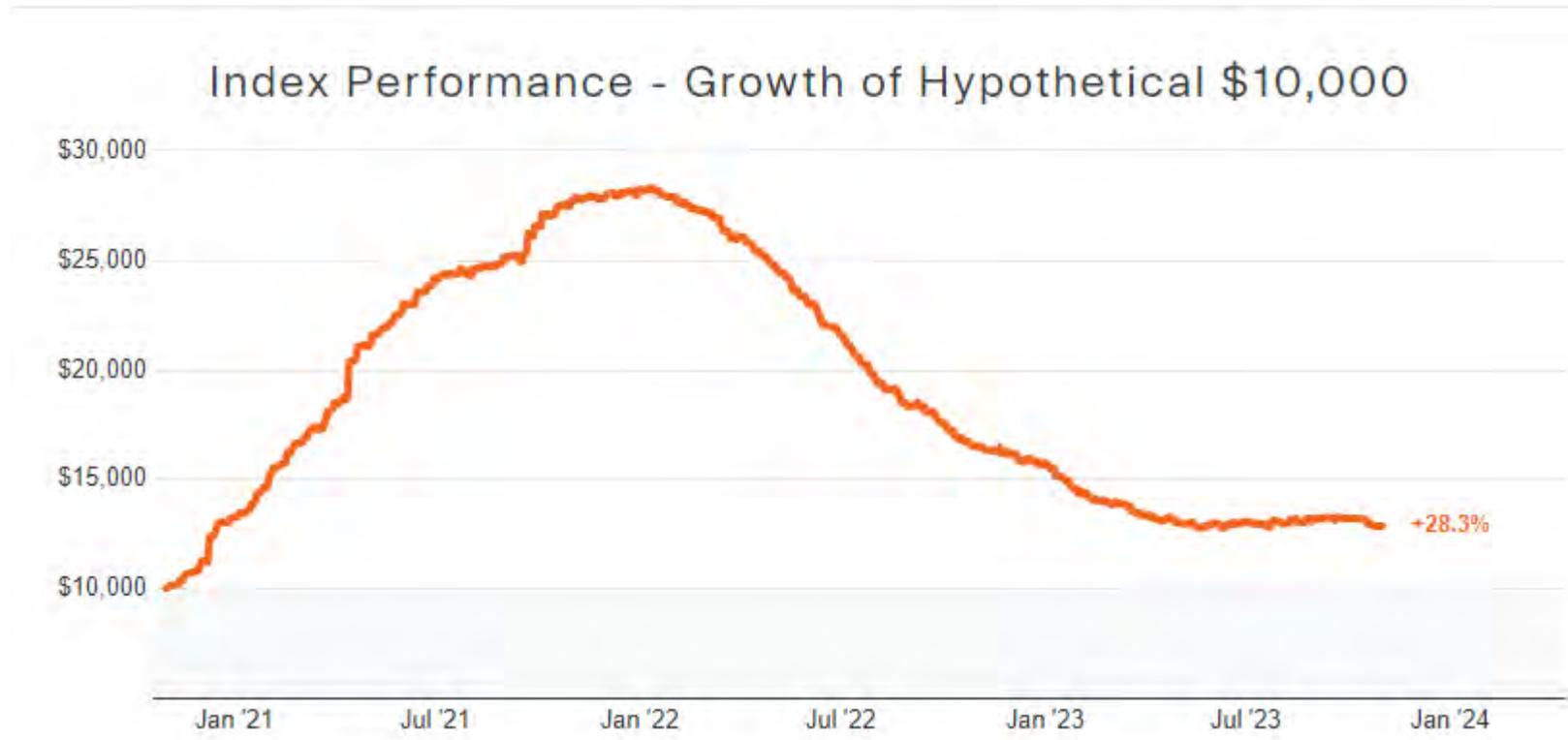
TTM price-to-sales multiple for VC-Backed IPO Index



PitchBook-NVCA Venture Monitor
 *As of September 30, 2023

OVERVIEW

Forge Private Markets Index



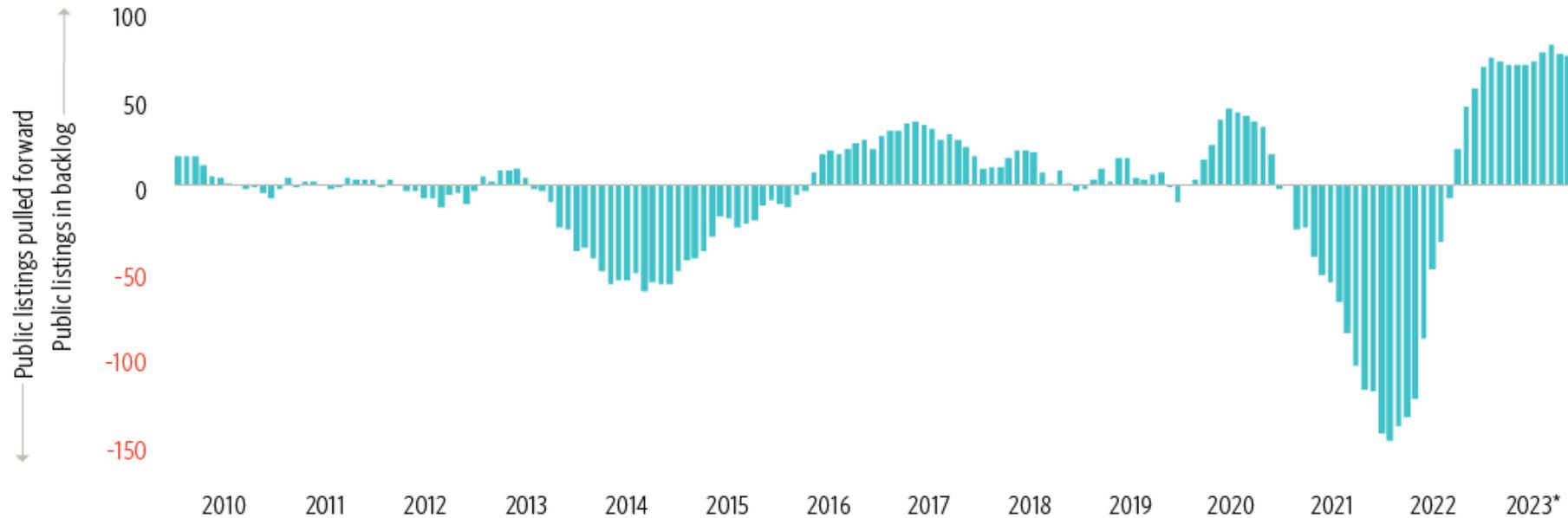
Median 2023 return of Enterprise SaaS companies: -28%.

Source: Forge Data

MARKET TRENDS

Gear Up for an IPO Recovery..just when?

Monthly VC-backed public listing count versus estimated IPO



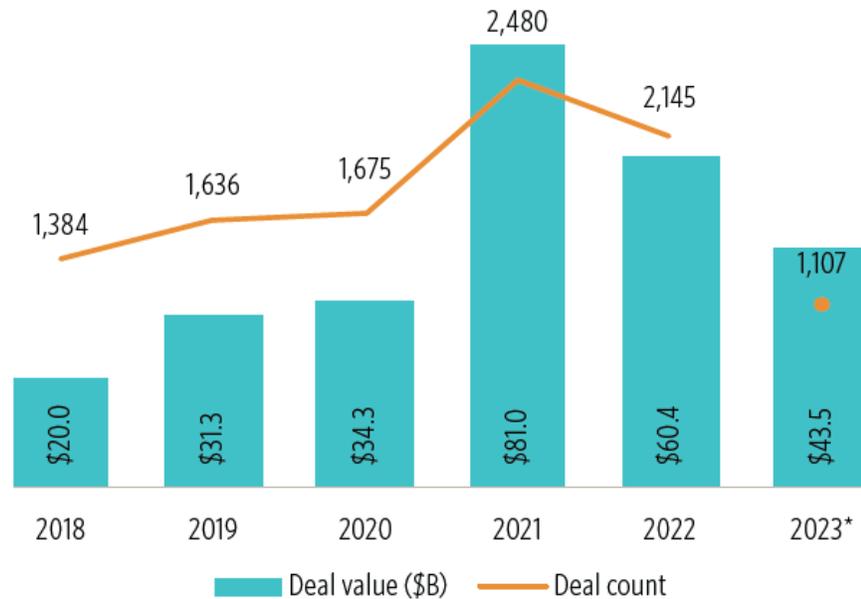
PitchBook-NVCA Venture Monitor
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DEALS BY SECTOR

Enterprise SaaS

2023 deal value approaching 2022 levels, while deal count lags

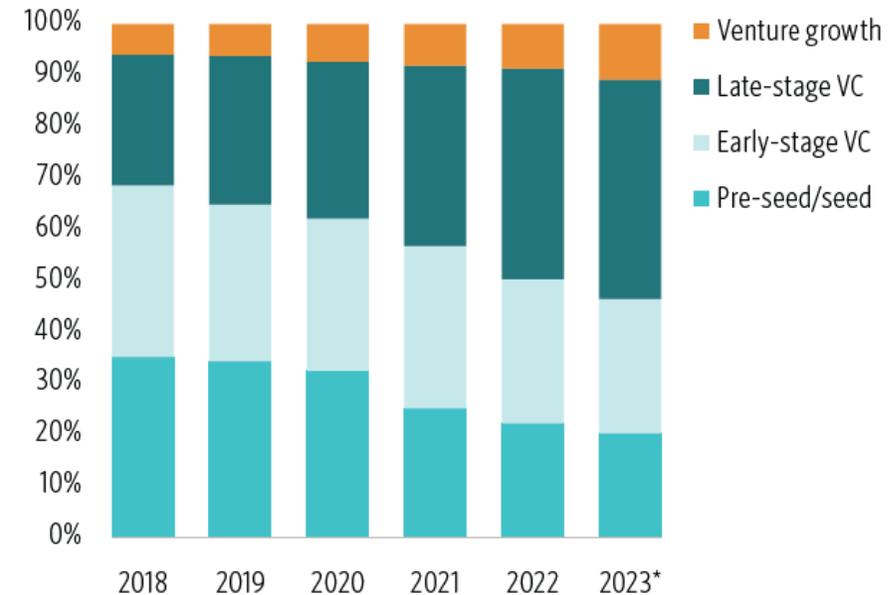
US enterprise SaaS VC deal activity



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

Late stage continuing to grow YoY, early stage and pre-seed fall in proportion

Share of US enterprise SaaS VC deal count by stage



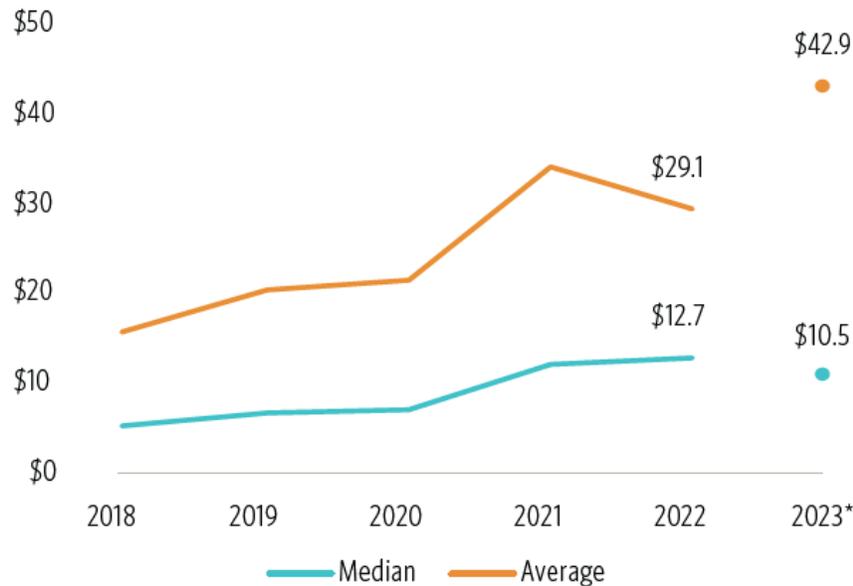
PitchBook-NVCA Venture Monitor
*As of September 30, 2023

DEALS BY SECTOR

Enterprise SaaS

Average increase buoyed by singular megadeals, while median decreases

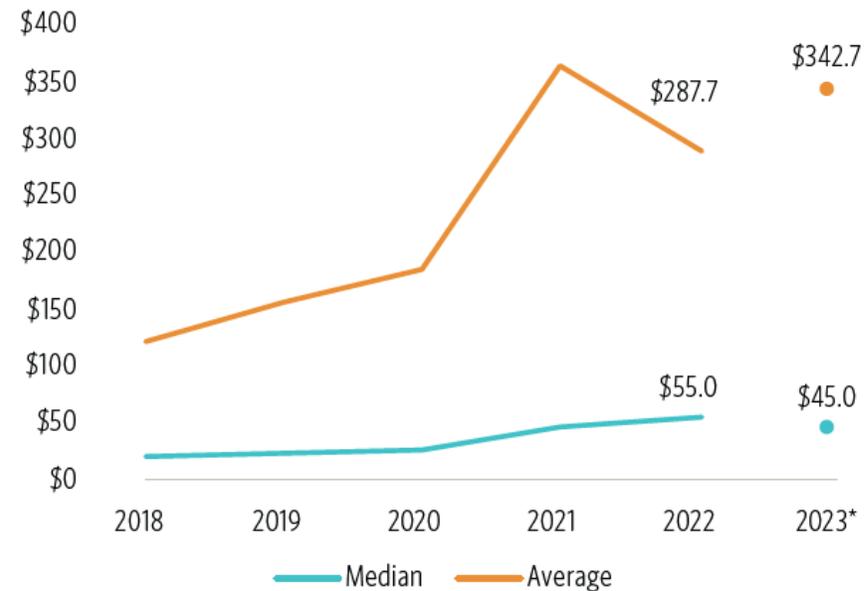
Median and average US enterprise SaaS VC deal values (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

2023 figures nearly match 2021 records

Median and average US enterprise SaaS VC pre-money valuations (\$M)



PitchBook-NVCA Venture Monitor
*As of September 30, 2023

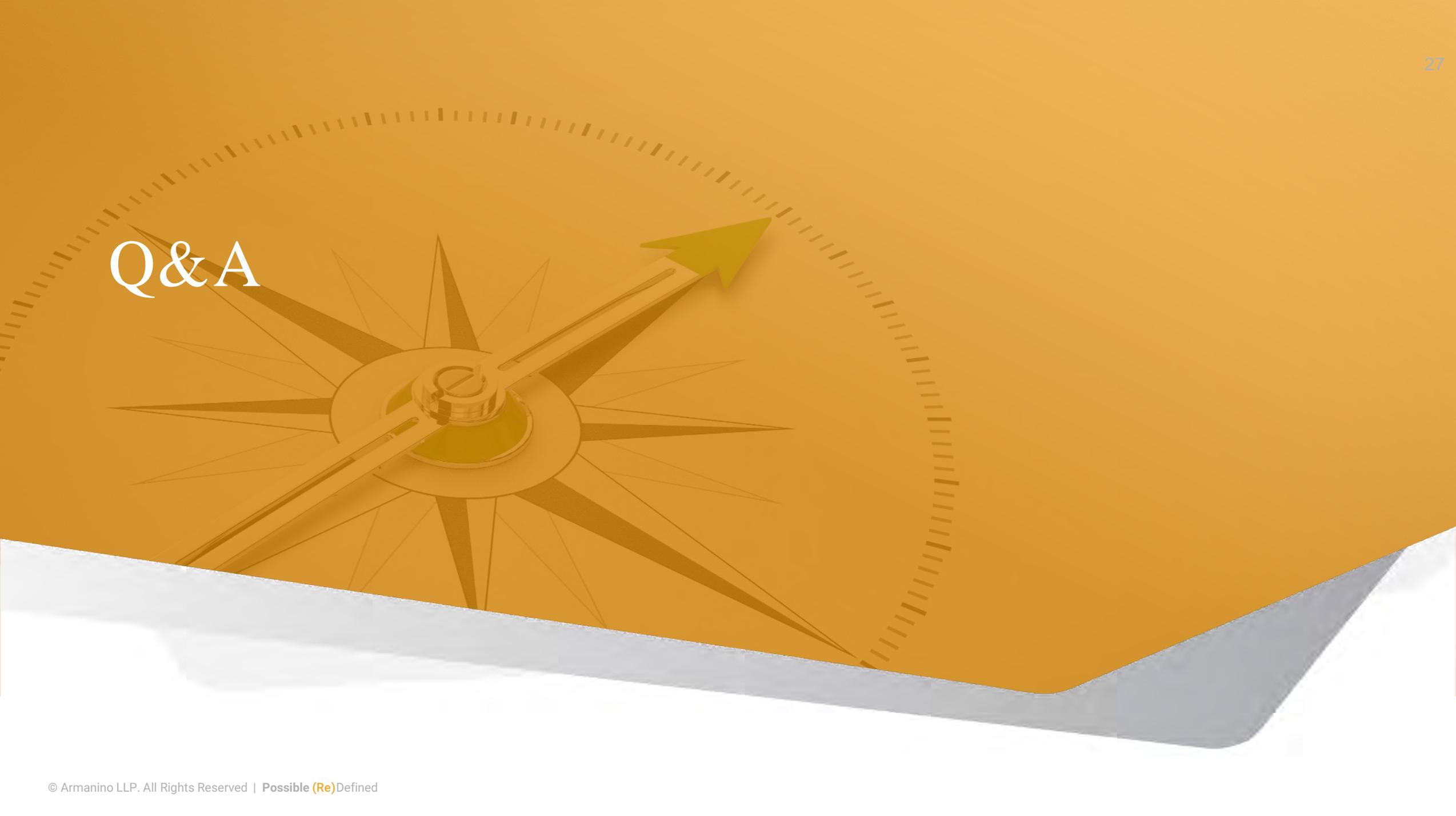
OVERVIEW

VC Investment Requirements – Who is receiving funding?

- Transformation of industry for the improvement of people and the planet
- Disruptive and unique technological advancements
- Companies close to seed or Series A with validated product market fit and early traction
 - More fruitful than late-stage
- Scaling of business and target market; solid plan and strong growth potential in both areas
- Quality and strength of company leaders and company vision
- Momentum in customers, sales, analytics
- Higher valuation and profitability = more likely to receive funding

Sources: <https://techcrunch.com/2023/09/29/how-to-pitch-me-7-investors-discuss-what-theyre-looking-for-in-september-2023/> (September 29, 2023)
<https://www.forbes.com/sites/forbestechcouncil/2023/10/02/increasing-your-startups-chance-of-getting-vc-funding-in-a-recession/?sh=37e3531877e2> (October 2, 2023)

Q&A



Thank you for
attending

Want to connect further?

Reach out to us at

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OUR PROMISE TO YOU

Reimagine Your Potential



Unconventional
Approach

We're a vested, entrepreneurial partner who sees your organization through a 360 lens and finds opportunity at every stage



Comfort in
Change

Our experts provide guidance and support while quickly facilitating transformation that gives you a competitive advantage.



Focused on
You

Our integrated teams and solutions deliver tailored insights to bring you more value and clarity throughout your journey.

A new and better way for today and tomorrow

Equipping you with the insights and tools needed to redefine what's possible



COMPLIANCE & REGULATORY

- Tax Planning
- Trust & Estate
- SOX
- Contract



ASSURANCE & ADVISORY

- Cybersecurity
- SOC
- Restructuring
- Revenue Recognition



STRATEGY & PLANNING

- Corporate Strategy
- Strategic Advisory
- Benchmarking
- Business Transformation



STAFFING & DEVELOPMENT

- Payroll
- Health Benefits
- Executive Search
- Interim Placement



TECHNOLOGY SYSTEMS

- ERP
- CRM
- Business Intelligence
- Managed Services



ACCOUNTING & BACKOFFICE

- Bookkeeping
- Budgeting/Forecasting
- Account Receivable
- Accounts Payable



Possible *(Re)*Defined™

Delivering impactful, bold solutions that increase clarity
and spark success for today and tomorrow.