



FE INTERNATIONAL

SaaS in the AI Age

H1 2025 REPORT



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Macroeconomic Overview

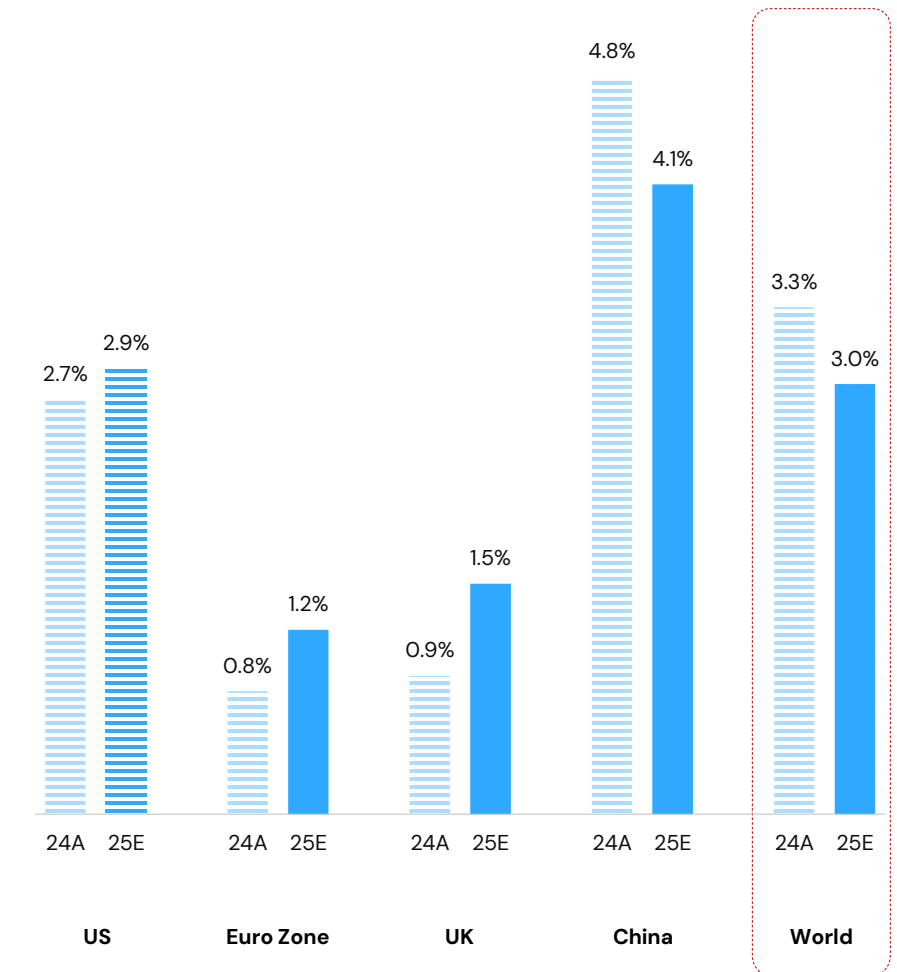
A New Dawn of Possibilities

The first half of 2025 has seen **global economic growth** accompanied by **easing inflation**, creating a favorable backdrop for mergers and acquisitions. The IMF currently projects world GDP growth of about **3% in 2025**, a pace roughly on par with 2024. Advanced economies are expanding at a **moderate rate** (~1%–2% GDP growth for the UK and Eurozone) while **emerging markets** lead with ~3.5%–4% growth. China aimed for about 5% growth in 2025, and the economy actually beat expectations in Q1, growing 5.4% year-on-year. That upside surprise was driven by consumer spending and government support, and it was the best growth rate in more than a year.

Crucially, **inflation has retreated** from the multi-decade highs of 2022–2023. In many major economies, price pressures are **back under control**. For example, Eurozone headline inflation **fell below the ECB's 2% target** by May (~1.9% YoY), and UK inflation is projected to **moderate to ~3% in 2025** (down from ~11% at the 2022 peak). Even the US, which saw stubborn price growth last year, has inflation on a downward path (3–4% by mid-2025).

This broad **disinflation trend** has relieved pressure on central banks to continue the aggressive rate hikes of prior years. It's worth noting that global inflation is still slightly above pre-2020 levels the IMF expects about **4.3% global inflation in 2025** but the trajectory is firmly downward. Cooling energy and commodity prices, alongside more resilient supply chains, have helped **restore price stability** in many regions.

Real GDP Growth (% YoY)

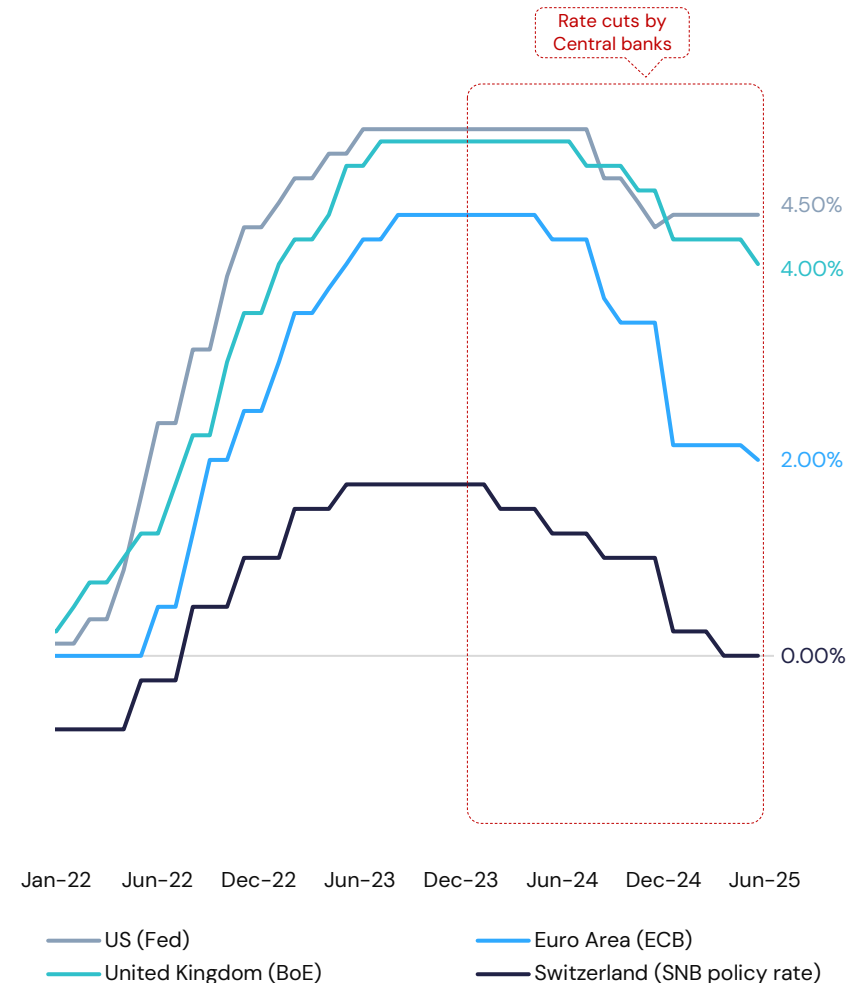


Interest Rates and Monetary Policy

Monetary policy in early 2025 shifted to a more accommodative stance as central banks reacted to lower inflation and mixed growth signals. In the United States, the Federal Reserve **paused its rate hikes** and held its benchmark rate steady **at 4.25%–4.50%** through the first half. With inflation easing and growth steady, financial markets anticipate that the Fed's **next moves will be rate cuts**. For example, Goldman Sachs projected three 25 bp reductions starting in September 2025. This marks a sharp pivot from the tightening cycle of 2022–2023 and reflects confidence that inflationary pressures are now under control. The Fed's more dovish outlook is bolstering equity valuations and debt financing conditions, which bodes well for M&A financing in the coming quarters.

In Europe, the European Central Bank (ECB) cut repeatedly in 2025—taking the deposit facility rate to 2.00% effective June 11—but the first post-pandemic cut actually occurred earlier, on June 12, 2024. (2025 steps: Feb 5 → 2.75%, Mar 12 → 2.50%, Apr 23 → 2.25%, Jun 11 → 2.00%.) Meanwhile, the Bank of England has maintained a tighter stance until recently. The Bank of England held at 4.25% in June and then cut to 4% on August 7, 2025 after an unusual send-round MPC vote, marking roughly the fifth 25 bp cut since August 2025. Across Asia and emerging markets, monetary policy is generally turning supportive of growth. Notably, China's central bank (PBoC) implemented a package of easing measures in Q2: in May, the PBoC cut its benchmark 1-year Loan Prime Rates by 10 bps to 3.0% and 5-year to 3.5%, and major state-owned banks trimmed deposit rates to encourage lending. These moves, coming amid trade uncertainties, aim to stimulate domestic demand and cushion the world's second-largest economy. Other emerging economies that tightened aggressively in 2022 have begun to diverge. India has started modest rate cuts as inflation eased, while Brazil has instead kept policy very tight — holding its Selic rate at a two-decade high of 15% after successive hikes. Overall, the synchronized tightening cycle of 2022–2023 has given way to a more mixed picture: many major economies are shifting toward neutrality or modest rate cuts, while others (notably Brazil) remain restrictive. This partial easing has improved financing conditions in advanced markets, providing a supportive backdrop for corporate expansions and acquisitions in 2025.

Interest Rate (%)



Improving Sentiment and Market Confidence

Business and consumer confidence have strengthened in early 2025, underpinning an optimistic economic tone with global sentiment indicators ticking upward through Q2. The Ipsos Global Consumer Confidence Index, **rose in June for the first time in five months**, reaching **48.2** (up 0.8 point from May). Confidence improved notably in **Europe and Asia-Pacific**, with countries like Singapore, India, the Netherlands and the UK seeing significant gains in sentiment. This resurgence suggests that consumers are growing more optimistic as inflation subsides and labor markets remain robust. In the UK, the mood brightened considerably by mid-year. The University of Michigan's consumer sentiment index jumped **~16% in June alone**, marking the first improvement in 6 months. While one month doesn't make a trend, it reflects easing worries about prices and an uptick in spending appetite. Even with some policy uncertainty (e.g. UK-China trade tensions), households globally appear more confident in the economic outlook now than they were a year ago.

Businesses are showing cautious but resilient optimism. Manufacturing and service activity indicators point to stabilization. **The Global Manufacturing PMI edged back into expansion in June**, climbing to 50.3 from 49.5 in May, its first growth reading in three months. Stronger domestic orders in several economies underpinned the rebound. The improvement came despite tariff uncertainty, suggesting that underlying demand remains firm enough to sustain output. Services activity also continued in expansionary territory, adding to the picture of resilience. While business leaders remain alert to cost pressures and policy risks, sectors such as technology and services still report solid momentum, supported by strong balance sheets and **expectations of lower borrowing costs ahead**. Together, these trends position companies for growth through the remainder of 2025.

Source: Ipsos, WSJ, S&P Global / J.P. Morgan, ISM.

Overall Consumer Confidence Index Jun 2025

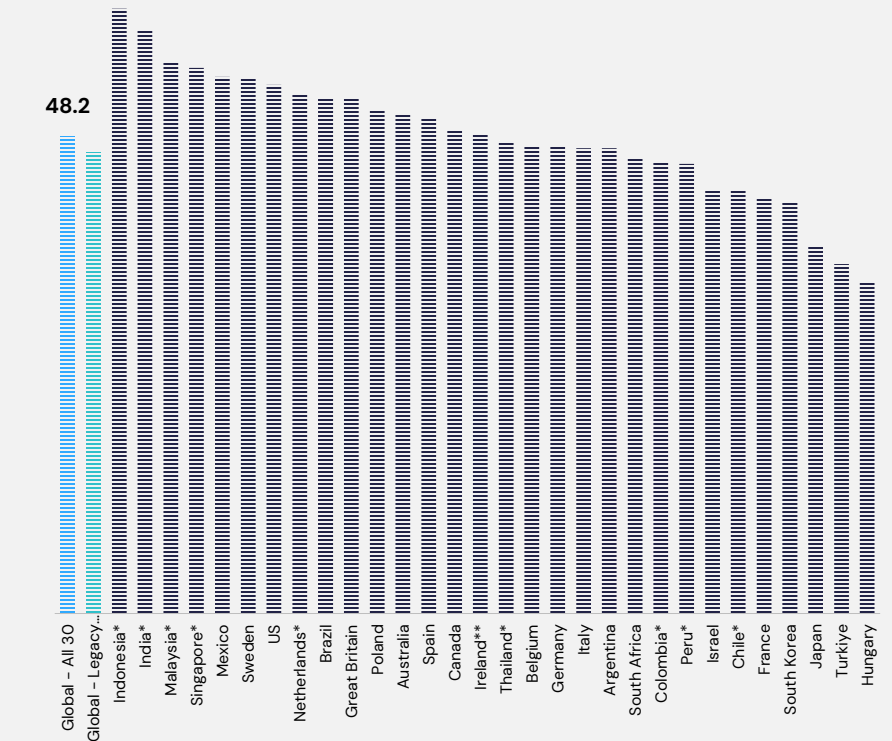
"Global All 30": average all 30 countries

"Global Legacy 20": average all 20 long-tracked countries

(i.e., excluding the 10 added or modified starting in February 2023)

**Country added or modified in February 2023*

***Country added in May 2025*



NOTES:

New: Index based on single-month only data

Improving Sentiment and Market Confidence (Cont'd)

Financial markets have mirrored this improving sentiment. After some volatility early in the year, **global equity markets have been rallying** on hopes of monetary easing and sustained growth. The S&P 500 index and other major stock benchmarks rebounded from Q1 dips and are approaching record highs as of mid-2025. JPMorgan's mid-year outlook notes that "with lower interest rates and less regulation, stock markets in the US, Europe and Japan can make new highs in the next 12 months." Such confidence from market strategists underscores the **return of risk appetite**. Investors are rotating back into growth oriented assets especially tech stocks after a cautious 2022–2023. Volatility persists (particularly around geopolitical news), but the VIX is well below last year's peaks. Credit markets are also accommodative: corporate bond spreads are near multi-decade lows and **private capital** remains plentiful for deals.



Overall, there was a clear improvement in market confidence in 1H 2025. Investors have largely priced in the economic soft landing or 'no landing' scenario. With recession fears abating, both corporates and sponsors are actively pursuing growth opportunities again.



Thomas Smale
CEO of FE International

Source: Ipsos, JPM.

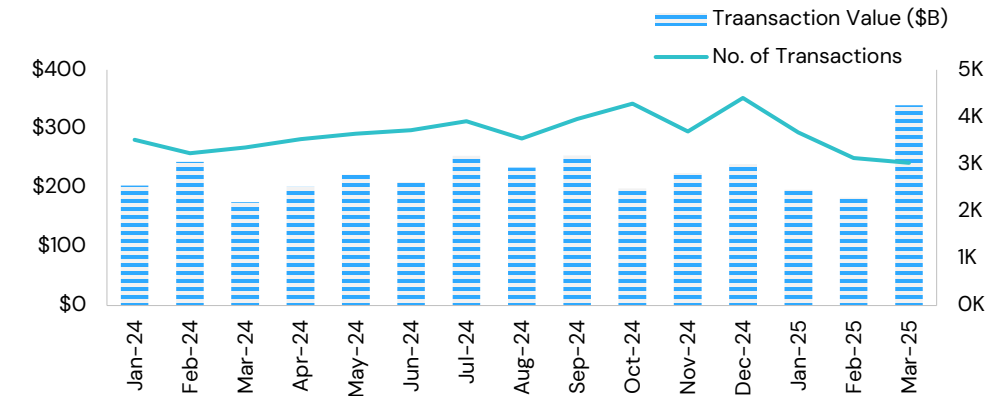
Surge in M&A Activity and SaaS Dealmaking Tailwinds

Against this macroeconomic backdrop, **global M&A activity surged in early 2025**, making a dramatic comeback from the slower deal environment of the previous two years. **Q1 2025 was an especially strong quarter** for mergers and acquisitions worldwide particularly in technology and SaaS. By the numbers, announced **global M&A deal values jumped +15% in Q1 2025 vs Q1 2024**, as companies seized upon improved market conditions to execute strategic combinations. March 2025 alone saw **~\$340B** in deals announced, making it the **largest single month for M&A in three years**. While the number of deals was slightly lower (a few buyers paused in February amid transient volatility), the clear trend was a **flight to quality and scale**, with larger transactions driving totals higher. According to PwC, **H1 2025 global deal values are ~15% higher than a year prior, even though deal volumes are ~9% lower** a sign that confidence has returned primarily for bigger-ticket acquisitions. In short, **fewer but bigger deals** is the story, and it's a bullish one for overall M&A momentum.

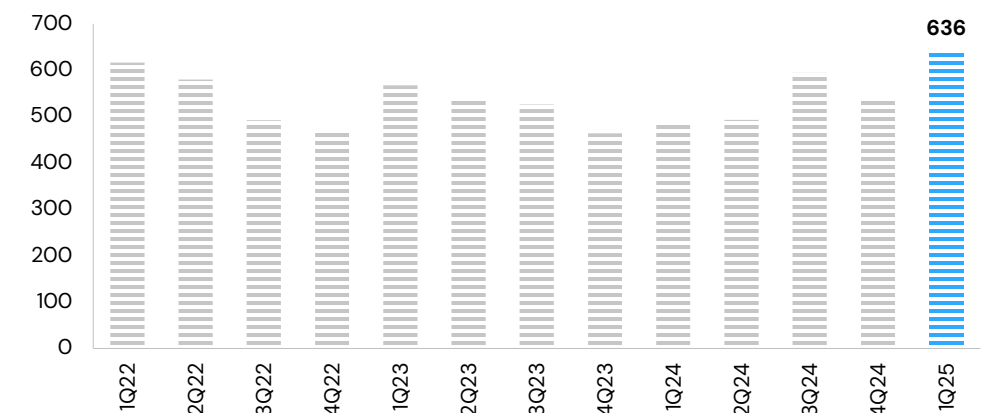
Importantly, the **Technology and SaaS sector** has been **leading this M&A resurgence**. After a quieter 2022–23, software deals came roaring back to life. In fact, Q1 2025 logged roughly 636 SaaS transactions, up 31% YoY and 19% QoQ, and Q2 went even further, setting a new record with 637 deals.. This **wave of dealmaking in SaaS** underscores how buyers (both large software incumbents and private equity firms) have **renewed appetite for high-quality software assets**. As noted in the Software Equity Group's report, the surge in Q1 SaaS deals signaled sustained appetite from both strategic and financial buyers, even as the broader economy sends mixed signals. Despite macro uncertainties, **demand for profitable, scalable SaaS businesses remains voracious** especially for companies with strong retention metrics and AI-driven offerings. Valuations for top-tier SaaS targets have held firm (average EV/Revenue multiples ~6x in Q1), reflecting competition among buyers for premium assets.

Source: spglobal, Softwareequity, PwC, S&P Global.

M&A activity deal value trending up



SaaS M&A Deal Volume



AI Boom in SaaS M&A

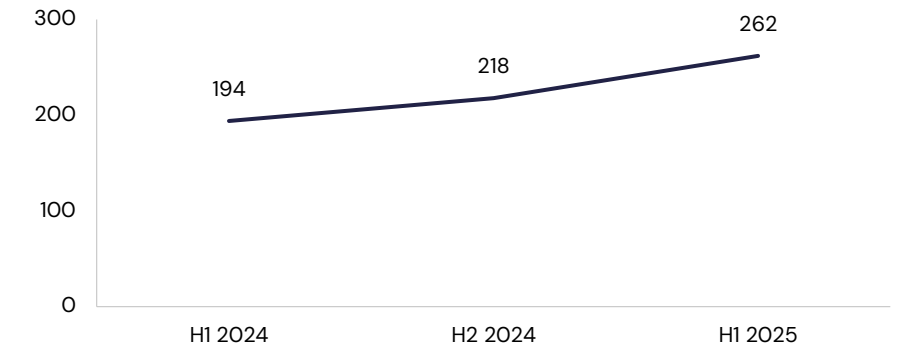
AI-focused SaaS M&A activity surged in the first half of 2025, marking one of the strongest deal environments in recent memory. Global deal volume jumped sharply Crunchbase data shows **262 AI-related acquisitions in H1 2025, up ~35% YoY**. Total disclosed deal value likewise soared, **topping \$100B in H1** (approximately +155% YoY) as buyers poured capital into the sector exemplified by Google's record-setting **\$32B bid for security AI firm Wiz**. This frenzy has been underpinned by an improving macro backdrop: **borrowing costs have stabilized and sentiment is rebounding**, reawakening boardroom appetites for major investments. With central banks easing and AI viewed as a strategic imperative, 2025's SaaS M&A market reflects renewed optimism **exuberance in AI is driving dealmaking** amid a shift to offense, making H1 2025 a standout period for SaaS exits.

Deal Tier Breakdown

The lower-middle market dominated deal count—the **majority of AI SaaS acquisitions were sub-\$150M**. By contrast, a **handful of transactions (>\$500M)** delivered an outsized portion of value, pushing the average deal size above \$435M even as the median held around \$67M. In other words, the market was highly bifurcated: a long tail of nimble tuck ins and acquihires at one end, and a few billion dollar AI plays at the other. The middle tier (\$150M–\$500M) saw steady activity in between, with both strategic acquirers and private equity buyers executing mid-sized AI bets. PE sponsors in particular stayed active across all levels. They drove **57% of SaaS deal volume in Q2** using both bolt-ons and megadeals to scale up AI capabilities. Notable examples span the spectrum: at the lower end, cybersecurity unicorn Axonius' **~\$100M purchase of IoT security startup Cynerio** shows the many sub \$150M tuck ins, while at the top end, ServiceNow's **\$2.85B acquisition of AI workflow company Moveworks** underscores strategics' willingness to pay up for coveted AI SaaS assets. The result is a broad-based push from small to large transactions to acquire AI talent and technology at every deal tier.

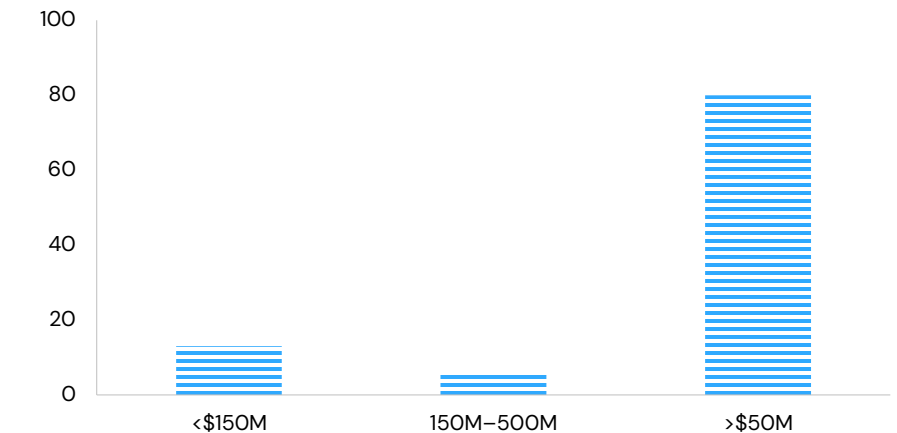
Source: Crunchbase.

Global AI Focused M&A Deal Counts



H1 2025 AI SaaS M&A Value by Deal Size Tier

(In Billions of USD)



"Creative" AI Deals in 2025

Dealmaking in 2025 is taking on creative and unconventional structures as players vie for an AI edge. Acquire and IP-driven deals are now common, with buyers often licensing core technology or bringing talent onboard instead of pursuing full takeovers. A vivid example was the tussle over AI coding startup Windsurf. OpenAI's roughly \$3B acquisition bid was disrupted when Google hired Windsurf's founder and paid about \$2.4B to license its technology. That unusual move left Cognition to acquire the remaining IP and team. Companies are also consolidating GenAI offerings through serial deals. OpenAI made a headline move in Q2 with its \$6.5B acquisition of io Products to deepen its AI platform, alongside selective acquire-hires. Cross-border roll-ups are emerging as well. In one instance, Canada's Clio agreed to acquire Spain's legal AI platform vLex for \$1B, creating a transatlantic AI suite. Whether through talent-centric acquisitions, licensing arrangements, or multi-company roll-ups, buyers are thinking creatively to stay ahead in AI. These structures, from licensing large language models to bundling niche AI tools, define 2025's shift in M&A strategy as firms deploy novel tactics to capture next-generation SaaS capabilities and outpace the competition.

Source: Crunchbase, Saastock.

H1 M&A: Big Deals, Bigger Signals

Mega-deals in Tech: 2025 has already delivered several standout transactions. In May, **Salesforce** agreed to acquire **Informatica** for **\$8B**, strengthening its data management and AI platform. Around the same time, **Motorola Solutions** closed its **\$4.4B purchase of Silvus Technologies**, expanding into AI-driven communications. August brought **Ecolab's \$1.8B acquisition of Ovivo's** electronics water unit, a play on the chip-cooling infrastructure essential to AI. These deals highlight the **premium on cloud, data, and hardware assets** powering digital transformation.

Private Equity bets: Sponsors are also active. **Thoma Bravo's \$2B purchase of Olo**, a restaurant SaaS provider, reflects the push for sticky, recurring-revenue platforms. With abundant dry powder, **PE firms are leaning into both bolt-ons and larger takeovers** to scale software assets.

Cross-border and strategic plays: Strategic acquirers remain aggressive globally. **Accenture's \$650M move for Australian cybersecurity firm CyberCX** strengthens its security offerings, while **Clio's \$1B agreement to acquire Spain's vLex** creates a transatlantic legal AI suite. These plays show how strategics are consolidating capabilities across geographies to stay ahead.

This flurry of deals across **AI, cloud, cybersecurity, and SaaS, consolidation** in 2025 is being driven by the race to secure talent, IP, and resilient revenue models.

Source: Reuters, BDO, TechCrunch.

Venture Capital & Private Equity Investment Outlook

Several forces drove the pickup in M&A activity into Q1 2025. With the Fed holding rates at 5.25%–5.50% through H1 and markets pricing rate cuts later in 2025, acquirers gained visibility that financing conditions should gradually improve. Private equity still sits on very large firepower—about \$2.4T in PE dry powder (and roughly \$3.9T across private capital), much of it raised in 2020–2021—and began leaning back in as the outlook stabilized, helping lift Q1 2025 deal value even as overall deal counts stayed subdued.

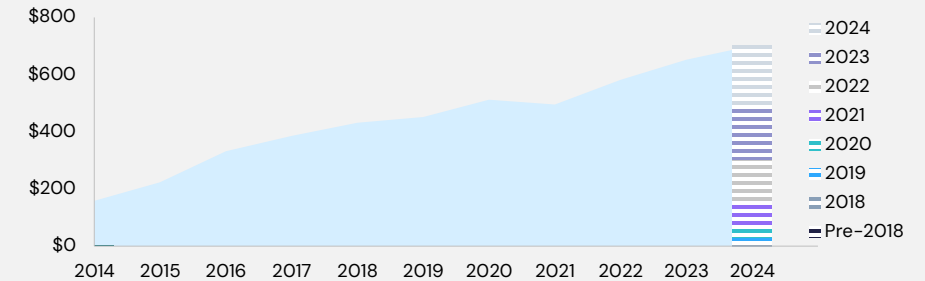
At the same time, political and regulatory changes helped create a more deal-friendly environment. In the U.S., the new administration’s tax package (the One Big Beautiful Bill Act, July 4, 2025) bolstered risk appetite, and merger review showed more pragmatic processing for non-problematic deals with the reinstatement of HSR early termination—though large, high-overlap transactions still face robust scrutiny. Meanwhile, an April tariff shock weighed on signings, but a 90-day U.S.–China tariff pause from May 12, extended another 90 days on Aug. 11, helped calm markets into late Q2.

Finally, equity market strength gave corporates a richer currency for deals, and CEO surveys in 2025 show a higher willingness to pursue “buy vs. build,” especially for tech and AI assets. **As FE International’s leadership** observes firsthand, strategic acquirers are back on the hunt: “The first quarter of 2025 was **one of the busiest we’ve ever seen for tech M&A**,” This confidence is equally shared by sellers many founders held off going to market in 2022–2023, but are now re-engaging given the high valuations and active buyer pool for SaaS companies.

Source: Reuters, BDO, S&P Global MI, Bain, Nasdaq, The White House.

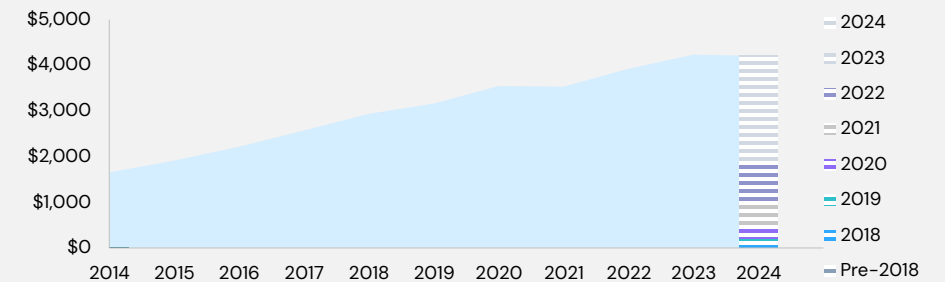
VC Dry Powder by Vintage

(In Billions of USD)



PE Dry Powder by Vintage

(In Billions of USD)



Pent-up demand from the past two years is being unleashed. With interest rates stabilizing and a clear line of sight on earnings, buyers are aggressively pursuing acquisitions to drive their next stage of growth.



Thomas Smale
CEO of FE International





The State of SaaS

Global SaaS Market Outlook

Worldwide SaaS Market Revenue (2017–2029). Global SaaS revenues have grown rapidly over the past decade and are projected to continue climbing to over \$800B by 2029. This chart illustrates the steady rise in worldwide SaaS market revenue, from roughly \$86.7B in 2017 to an estimated \$273B in 2023, and a forecast of about \$706B in 2028 and \$818.8B by 2029.

The **global SaaS market** is expanding at a remarkable pace. As shown in the **chart**, worldwide SaaS revenues are expected to almost **triple** from mid-2020s levels, approaching the ~\$800B mark by 2029. This represents a ~19% CAGR in the latter half of the decade, reflecting robust demand for cloud software solutions. Such rapid expansion is being fueled by **technological innovation, greater cloud adoption globally, and the rising need for specialized software** across industries. Enterprises large and small are increasingly turning to SaaS for critical functions, attracted by the flexibility of subscription models and continuous delivery of updates.

Notably, much of the SaaS sector's momentum is driven by **smaller providers in the lower middle market**, not just the well-known mega-cap software firms. While giants like Microsoft and Salesforce dominate headlines, a significant portion of growth is coming from **niche-focused SaaS companies** serving specific verticals and customer segments. These agile players thrive by solving narrowly defined problems in areas like healthcare, finance, and government, delivering **laser-focused products** that offer immediate value.

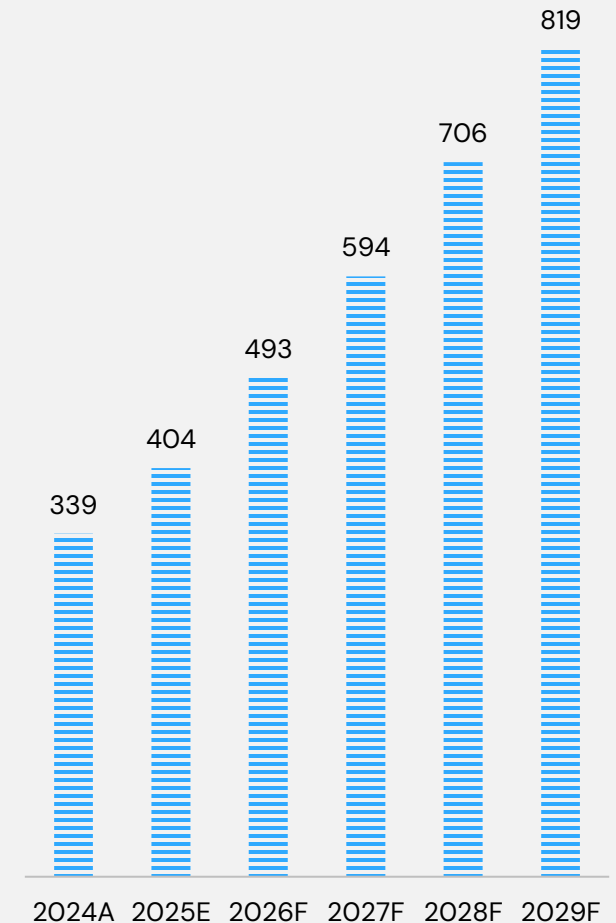
In particular, **small and mid-sized businesses (SMBs)** are a fast-growing customer base for SaaS, seeking affordable, cloud-based tools to improve efficiency and scale with predictable costs. Vendors meeting these needs through **vertical-specific workflow automation or analytics tools** are capturing new markets and driving a meaningful share of industry growth.

In short, **lower middle market SaaS companies** stand out for their agility, cost-effectiveness, and focused innovation. Investors are increasingly turning to these disciplined, recurring-revenue businesses that offer clear opportunities to scale.

Source: Statista.

Global SaaS Revenues

(In Billions of USD)



Lower Middle Market SaaS Trends

In 2024, SaaS companies faced elevated interest rates, persistent inflation, and geopolitical uncertainty. These macroeconomic pressures raised the cost of capital and slowed large tech investments. **However, the lower middle market SaaS segment proved resilient**, drawing investor interest as buyers sought better value and risk-adjusted returns during turbulent conditions.

Lower middle market (LMM) SaaS businesses, typically valued under \$100M, became a focal point due to their **smaller deal sizes and strong fundamentals**. Modest valuations, combined with roll-up potential, operational improvements, and professionalization opportunities, created clear paths to post-acquisition value. These companies often require lower upfront investment and can scale through hands-on improvements. Investors increasingly sought businesses with **efficient scalability and clear growth paths**, and many LMM SaaS firms fit that profile.

Many of these companies operate in **high-growth sectors such as AI, automation, and analytics**. Their tools deliver measurable ROI through improved efficiency and cost savings. Despite economic uncertainty, demand for such solutions remained strong throughout 2024.

From an investor perspective, LMM SaaS firms offer a compelling combination of **recurring revenue, adaptability, and margin strength**. Their subscription-based models allow for stable growth, even in sluggish conditions. Scalability and lean cost structures further support investor confidence in their resilience. Wider macro conditions are also turning favorable. Central banks have begun easing interest rates, improving access to capital. This environment **supports SaaS M&A activity** by reducing financing costs and enabling faster closings. Sellers also benefit from **more attractive deal terms**, including stronger upfront payments and simpler structures.

With improving financial conditions and proven business models, **lower middle market SaaS companies are well positioned to grow**. Acquirers are expected to continue targeting these high-quality assets through 2025 and beyond.

AI Focused SaaS M&A in H1 2025

Key Trends and Deals

Surging Deal Volume: AI-driven SaaS M&A activity accelerated in the first half of 2025. Crunchbase data shows **262 AI-focused M&A deals** in H1 2025 a ~35% jump YoY. Total deal value skewed higher as well: **the median deal size held around \$67.5M** while the **average soared above \$435M**, reflecting a few outsized acquisitions amid a long tail of smaller deals.

Lower-Middle Market (<\$150M): A long tail of smaller AI SaaS acquisitions drove much of the deal count. Many large software vendors quietly scooped up niche AI startups for their talent or tech (often **acquihires**). These sub \$150M deals rarely made headlines but provided strategic AI capabilities. For example, Salesforce **absorbed AI recruiting startup Moonhub's team** (terms undisclosed) to bolster its Einstein AI talent base.

Middle Market (\$150M–\$500M): Middle Market (\$150M–\$500M): Mid-sized AI-SaaS transactions continued steadily as **acquirers sought to augment specialized AI capabilities**. One such notable case in H1 2025 was Axonius acquiring Cynerio, a medical-device security startup, for just over \$100M—a deal that, while slightly below the \$150M threshold, **exemplifies the strategic tuck-in acquisitions shaping this segment**. These middle market deals underscore global competition for AI talent and domain-specific technology.

Upper Market (>\$500M): A handful of mega deals accounted for a large share of AI M&A value, pushing up average deal sizes. Enterprise strategics and tech giants made bold moves to acquire AI infrastructure and platforms rather than build in-house. Notable H1 2025 examples include: **Google's \$32B purchase of Wiz** (an AI-powered cloud security platform); **Salesforce's \$8B acquisition of Informatica** to strengthen its data foundation for AI; **OpenAI's \$6.5B buyout of io Products** (Jony Ive's AI hardware venture) to secure top design talent and device capabilities; and **ServiceNow's \$2.85B acquisition of Moveworks** (a GenAI IT support platform) to embed conversational AI into its workflow suite. These large strategic deals illustrate how embedding **generative AI** and data capabilities via M&A became a priority for market leaders.



SaaS M&A Activity

SaaS M&A Activity

(H1 2025)

Global SaaS dealmaking stayed resilient in early 2025. PitchBook reports lower middle market (LMM) SaaS M&A (deals <\$150M) reached \$8.9B in 2024, a 29% rise over 2023. Early 2025 data shows deal counts accelerating: SEG recorded 636 SaaS transactions in Q1 2025 (up 31% YoY). At the same time, aggregate deal value softened as buyers reset expectations, PitchBook notes Q1 2025 enterprise SaaS value fell to \$29.1B (–24.8% QoQ). Overall, H1 2025 volumes are tracking above 2024's pace even as buyers grow more selective on pricing.

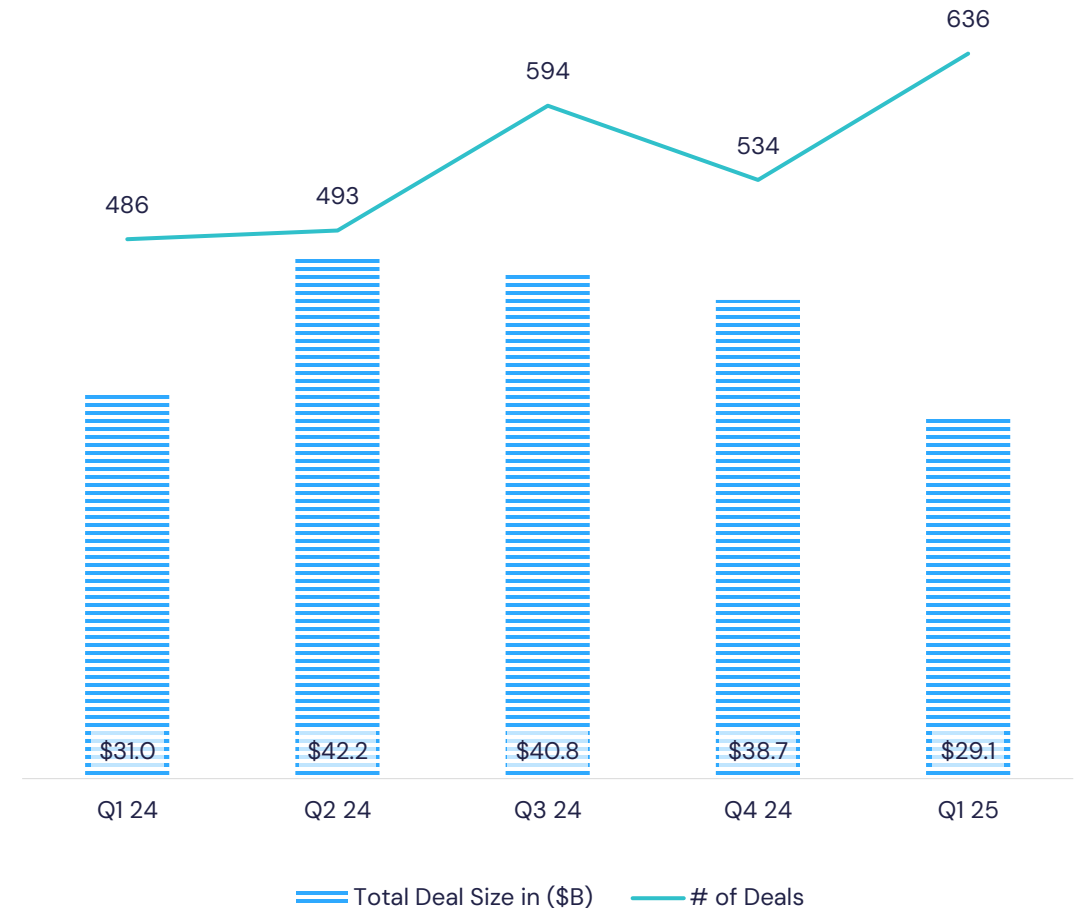
Buyer Breakdown (Strategic vs. Financial Buyers):

- Strategic acquirers closed 137 SaaS deals (\$13.8B) in Q1 2025. These corporate buyers targeted high-synergy acquisitions, focusing on differentiated capabilities (e.g. niche analytics or industry-specific offerings) while holding firm on valuations a middle market volatility.
- Private equity sponsors executed 73 transactions (\$15.3B) in Q1. This was a record quarter for PE by deal count (up 12% from Q4), with sponsors leading three of the five largest deals. Financial buyers are actively allocating capital to premium SaaS assets, demonstrating continued confidence in the sector's long-term value.

Source: Pitchbook, SG Analytics, Rlhulett.

Global Enterprise SaaS M&A Activity

(In Billions of USD)



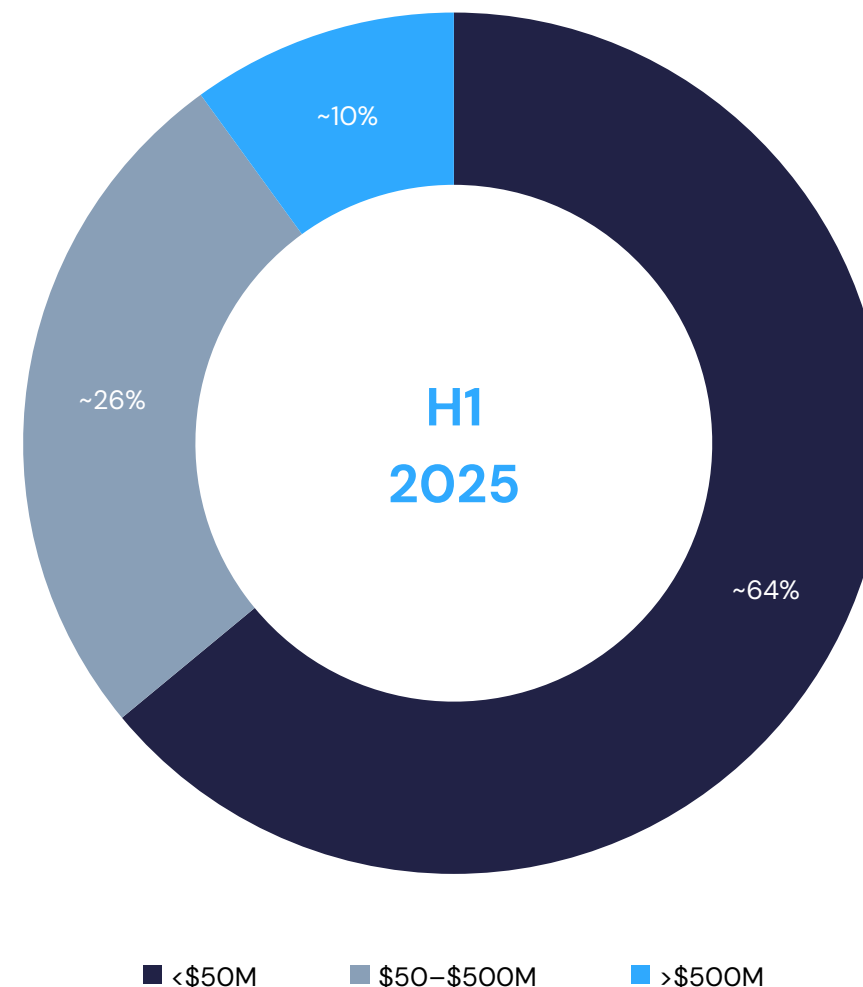
SaaS M&A Activity

(H1 2025)

Deal Size Distribution:

- **Small (<\$50M)** – ~64% of H1 SaaS transactions were below \$50M. Smaller deals continued to anchor activity, with many founders opting for efficient and strategic exits.
- **Middle Market (\$50–\$500M)** – ~26% of deals fell in this range. Strong participation from strategic acquirers and PE-backed platforms lifted activity and supported valuations.
- **Large (>\$500M)** – The remaining ~10% comprised upper-mid and large acquisitions, including several billion-dollar transactions. These marquee deals buoyed overall deal value and reflected healthy appetite for category leaders.
- **Sector & Category Trends:**
 - **Business/Productivity SaaS:** Consistently the top category (42% of 2024 deals). H1 transactions included workflow, HR, and collaboration tools (e.g. Figma's acquihire of the Payload CMS team).
 - **Financial/FinTech SaaS:** Accounted for ~12% of 2024 volume. In H1, large payments and fintech platforms saw M&A interest—for example, Providence-backed 365 Retail Markets agreed to acquire Cantaloupe, Inc. (NASDAQ: CTLP) in an ~\$848M transaction, expanding its unattended payments business.
 - **AI & Vertical SaaS:** Rapidly emerging in deal flow. Buyers prioritized AI-driven platforms (e.g. Wix's purchase of Base44, an AI-powered app builder) and industry-specific solutions (e.g. Pearson's move into career-tech SaaS via eDynamic Learners). Demand is high for technologies that enhance automation, analytics, and digital transformation.









Deal Size Distribution



Source: Pitchbook, SG Analytics, Rlhulett.

Notable H1 2025 Deals

Target	Buyer	Deal Size (\$M)
 INFOSUM		150.00
 Memfault	 NORDIC SEMICONDUCTOR	120.00
 smsportal	 link mobility	114.96
 envirosuite	 Ideagen	89.3
 iCAD	 RadNet	82.3

Target	Buyer	Deal Size (\$M)
 BASE44	 WIX	80.0
 Payload	 Figma	NA
 eDynamic Learning	 Pearson	NA
 LINK MY BOOKS	 VISMA	NA
Project Gavel	Private Buyer	NA

Throughout H1 2025, dealmakers remained upbeat about SaaS's long-term growth. The overall trend more deals in size categories up to middle market, sustained sponsor activity, and sector focus on productivity, FinTech, and AI suggests a market that is adapting valuation levels but still very much alive. Buyers and investors alike are looking to acquire high-quality SaaS assets before competition intensifies, making now a constructive environment for well-positioned sellers.

Source: techcrunch, paymentsdive, figma, prnewswire Industry research and transaction data from PitchBook, Software Equity Group, and sector press releases (June 2025)

Active SaaS Buyers

Lower Middle Market



Source: FE's internal analysis.



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 \$1.1B. 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.

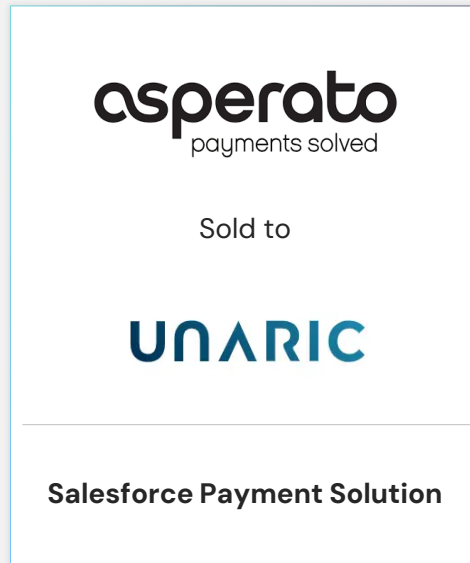
Asperato partnered with FE International due to the firm's unmatched presence in the Salesforce ecosystem, with over a dozen completed transactions such as CloudOrca and Focus on Force.

Key Value Drivers:

- Revenue has grown 33% YoY 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



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

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

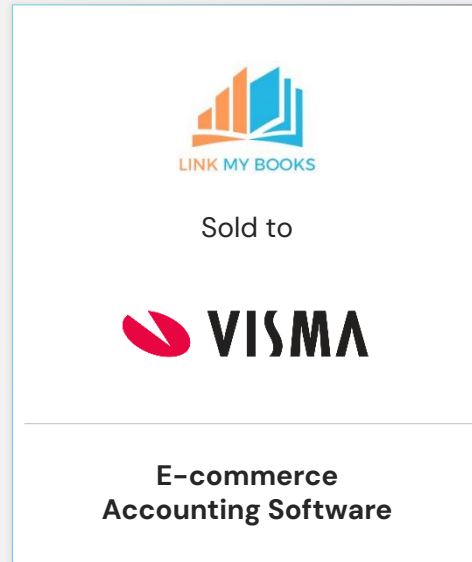
Finding the Right Strategic Partner

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 was looking for an ideal partner to propel its 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.



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

Key Value Drivers:

- Revenue grew 46% YoY 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

Focused Effort Drives Acquisition

Secured a strong, seller-preferred offer from a strong strategic LegalTech and SaaS buyer

Project Gavel

Sold to

Major SaaS and tech-enabled legal and healthcare services company

LegalTech

Company Overview:

Incorporated in 2022, Project Gavel is a lead generation company focused on sourcing high-quality legal leads for law firms and lead aggregators across the United States. The Company operates a proprietary platform that streamlines and optimizes the media buying and selling process to deliver consistently high-quality leads. This is supported by a vertically integrated, performance-based verification center that ensures compliance with industry regulations and maintains stringent quality standards.

Key Value Drivers:

- 72% revenue CAGR from 2021 to 2023
- 768% gross profit growth from Q1'21 to Q2'24
- Strong margins with 15% adjusted EBITDA and 33.7% gross margin
- Proprietary technology and integrated verification process ensuring high-quality, compliant leads

Buyer Interest:

- 250+ parties contacted, and 1 strong offer received

Process Results:

- We ran a highly targeted process that reflected our deep understanding of the market, resulting in a strong offer aligned with the seller's preferred structure
- The transaction met the seller's objectives, with the seller expressing full satisfaction with the outcome



SaaS Funding

SaaS Funding (H1 2025)

Optimism in the Lower-Middle Market

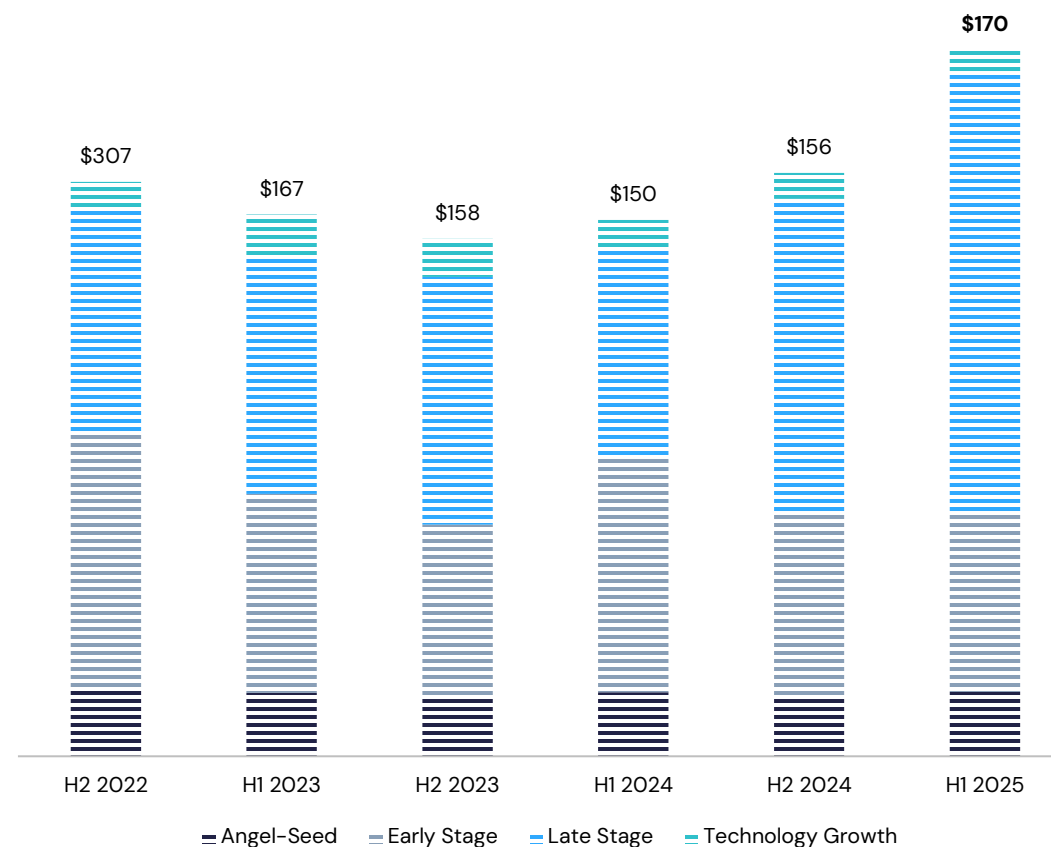
Resilient Funding Volume: In the first half of 2025, SaaS companies with valuations under \$150M demonstrated **resilience and steady growth** in funding. Total SaaS venture funding for H1 2025 is estimated at **\$205B globally (all sizes)** the strongest half-year since 2022 up roughly 32% from H1 2024. Excluding a few massive AI-related mega-rounds (e.g., OpenAI's \$40B), the **lower middle market segment held firm**. We estimate **lower-middle SaaS funding was roughly flat** year-on-year, a strategic **win** considering 2022–2023's market correction. Even modest growth on a tough comparison underscores the **strength and stability** of sub-\$150M SaaS investments. Investors remained active and **well-capitalized**, maintaining funding at **high levels** and positioning the market for an **accelerated upswing** in H2 2025.

Seed Funding: Early-stage SaaS startups continued to attract capital. **Global seed-stage funding hit ~\$17.5B in H1** (including a record \$2B seed round). Even without outliers, seed funding was roughly **flat quarter-on-quarter and only slightly down year-on-year** a remarkably **robust performance** at the earliest stage. This stability indicates that investors have **confidence in new SaaS ventures**, supplying ample seed checks to fuel the next generation of SaaS growth. Many accelerators report strong demand, and seed valuations in SaaS have remained **healthy and realistic**, setting startups up for success.

Source: crunchbase.

Global Venture Dollar Volume Through H1 2025

(In Billions of USD)



SaaS Funding (H1 2025)

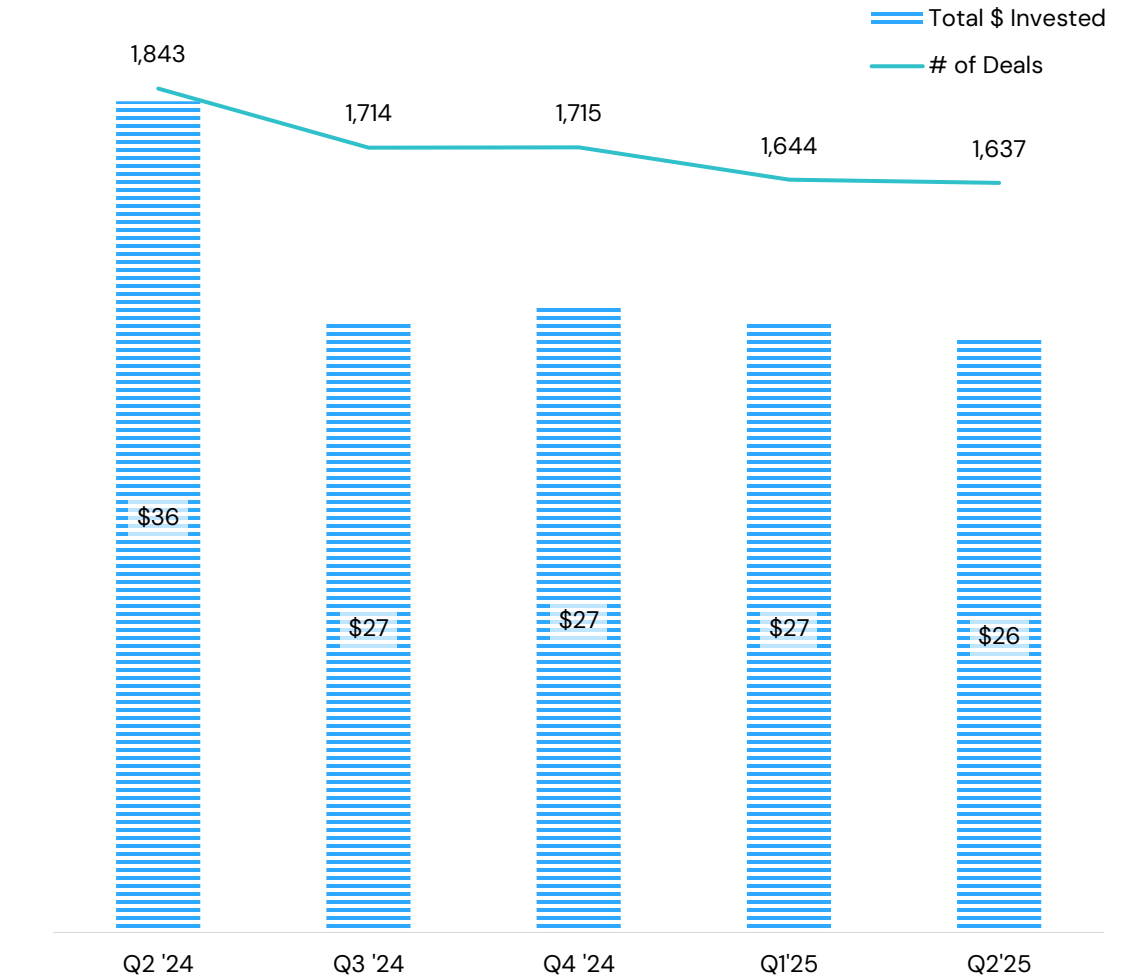
Optimism in the Lower-Middle Market

Early-Stage (Series A–B): Early-stage SaaS funding showed **steady momentum**. In Q2 2025, global early-stage investment totaled **\$26B across ~1,600 companies**, essentially flat QoQ (and down from an AI-spiked Q2 2024). For H1 overall, early-stage SaaS deal volume was on par with the prior year, a **stabilization** after the dip in 2023. While Series A and B rounds remain more selective, quality SaaS businesses with product-market fit are **continuing to raise sizable rounds** (median ~\$12M for Series A and \$30M for Series B in 2024). Investors are focusing on sustainable growth and clear unit economics, favoring SaaS startups with proven revenue and **40%+ growth (which command ~7–10× ARR multiples)**. The flat early-stage totals in H1 actually **signal strength**, given 2024's tougher funding climate, a sign that the **pipeline of emerging SaaS companies remains strong**.

Later-Stage VC: Later-stage SaaS funding (Series C and beyond) in the sub-\$150M valuation tier also proved **resilient**. H1 saw numerous mid-sized growth rounds (Series C/D) in the \$35M–\$80M range. Importantly, this segment was less impacted by the few gigantic “mega-deals” in AI, which means **sub-\$150M SaaS late-stage activity held steady** on its own merits. In fact, excluding outlier rounds, global late-stage VC funding was roughly flat to slightly up year-on-year in H1. This **stability** reflects continued **investor appetite for mature SaaS businesses** with solid fundamentals. Many later-stage SaaS companies postponed IPOs due to market conditions, opting instead to raise private growth capital and they succeeded, thanks to SaaS's recurring revenues and profitability focus. **Lower middle market SaaS deals often require less leverage and are less sensitive to interest rates**, so as rates peaked in early 2025, these deals proceeded with **minimal friction**. Overall, even modest growth at later stages in H1 (outside of the AI frenzy) is a **positive sign** that well-performing SaaS firms can secure the capital needed to scale.







Global Early-Stage Investment Through Q2 2025

(In Billions of USD)



Source: crunchbase.

Active SaaS Investors & Accelerators in H1 2025

Investor/ Accelerator	Approx. # of Deals (H1 2025)	Notable SaaS Investments in H1 2025
 Combinator	~259 deals (209 in Q1, 50 in Q2 at seed stage)	Largest global seed investor; backing broad SaaS pipeline. Participated in later-stage rounds for alumni startups like HR platform Rippling (Series F). Emphasizing AI-powered SaaS (e.g. robotics firm Gecko Robotics) in follow-on investments
 ANTLER	~67 deals (34 in Q1, 33 in Q2 at seed stage)	Global early-stage SaaS investor with presence in 20+ countries. High-volume pre-seed backing across verticals; ranks #2 in seed deal count (after YC). Focuses on seeding a wide pool of SaaS startups to capture emerging trends (including AI-driven SaaS).
 Accel	~40+ deals (8 leads in Q1; 31 total financings in Q2)	Active across cloud and enterprise SaaS. Led multiple large rounds in H1 – e.g. Perplexity AI (genAI platform, \$500M) – and participated in others like Anysphere (AI developer tool, \$900M). Increasing focus on AI-enabled SaaS, while maintaining strong bets in cloud infrastructure and fintech SaaS.
 andreessen. horowitz	~30+ deals (8 leads in Q1; ~10 deals in May alone)	Aggressively “chasing the AI wave” in SaaS. Backed numerous AI-centric startups in H1; for example, led a \$2B seed round for AI research venture Thinking Machines Lab . Also invested in fintech and developer-tool SaaS (e.g. co-invested in Anysphere and Neuralink deals) to round out its portfolio
 Lightspeed	~15+ deals (9 leads in Q1)	Most active lead investor in early 2025 by round count, with an emphasis on B2B SaaS. Led large H1 financings such as Anthropic (\$3.5B AI cloud funding, co-led). Continuing to invest heavily in enterprise software, cloud infrastructure, and data analytics tools.
 SEQUOIA	~15 deals (8 leads in Q1)	Major SaaS investor known for scaling cloud leaders. Tied for #2 in Q1 lead deals. In H1, Sequoia participated in sizable SaaS rounds (e.g. Amplitude analytics and Stripe adjacents) while also realigning its focus post-restructuring. Remains a key backer of developer platforms and cloud SaaS globally.

Source: Crunchbase News (investor activity data).

Venture capital surged in the first half of 2025, with global funding reaching \$205B, up 32 percent year-over-year. AI captured nearly half of all dollars, but SaaS also experienced a strong rebound as investors backed cloud platforms, enterprise tools, and fintech software.

Accelerators were especially active. Y Combinator completed 259 deals in H1, while Antler backed 67 new startups worldwide. Both focused heavily on AI-driven SaaS, ensuring a robust pipeline of early stage companies.

Leading venture firms also increased activity. Accel, Andreessen Horowitz, Sequoia, and Lightspeed participated in major financings such as Perplexity AI at \$500M, Ramp at \$200M, and ClickHouse at \$350M. Cloud infrastructure and developer tooling remained resilient alongside the surge in AI-enabled SaaS.

This broad mix of high volume seed activity and large scale growth rounds highlights renewed confidence in SaaS. With capital flowing back at scale and AI reshaping software economics, the outlook for H2 2025 is highly optimistic, with expectations of larger rounds, stronger acquisitions, and a reopening of the IPO window.



Looking Ahead

Outlook: Poised for a Strong H2 2025

The strategic fundraising momentum seen in H1 2025 positions the SaaS market for a robust second half of the year. **With ample dry powder among venture firms and improving macro conditions (markets are already pricing in Fed rate cuts and a stabilizing global economy), investors are increasingly optimistic about deploying capital more aggressively in H2.**

The first half's steady deal flow, paired with disciplined valuations outside of mega-AI rounds, has created a solid foundation. **SaaS companies are now leaner, more efficient, and focused on quality growth, reflecting the discipline of the past two years.** Larger late-stage rounds, already making a comeback in H1, are expected to continue in H2 (especially for the strongest sub-\$150M SaaS performers graduating to higher valuations), alongside a high volume of seed and Series A deals.

Notably, the IPO pipeline is beginning to reopen in 2025 and could accelerate into early 2026 if public markets continue warming—adding urgency for growth-stage investors to fund the next wave of IPO candidates now.

In summary, H1 2025's SaaS funding in the lower-middle market was marked by resilience, strategic growth, and strong investor interest. **While capital concentration favored larger AI rounds, the ability of the sub-\$150M SaaS segment to hold funding levels steady underscores the enduring appeal of the SaaS model.** This bodes extremely well for H2 2025, as momentum built in the first half is set to translate into even greater opportunities.

For founders and investors in the SaaS M&A arena, the message from H1 is clear: the market is alive, expanding, and set for acceleration. **With strong capital availability, active acquirers, and a wealth of innovative SaaS companies maturing, the stage is set for a highly dynamic, opportunity-rich late 2025.** As a leading M&A advisor, FE International remains confident—the foundations laid in H1 are paving the way for a breakout H2, creating ideal conditions for strategic deals, growth investment, and successful exits in the SaaS lower-middle market.

Behind this Report



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 is the founder of FE International, a leading advisor for lower middle market technology businesses. FE's team has completed over 1,500 transactions with a combined value of over \$50B. He works closely with founders and business owners, providing practical guidance on technical, diligence, and negotiation matters to help them achieve successful exits on their terms



Anastasia Buraminskaya, CPA



Partner

Anastasia Buraminskaya conducts in-depth research on companies and industries, analyzes financial health, and delivers data-driven valuations to clients. Previously, she led the revenue function at Crossix, a subsidiary of Veeva Systems (NYSE: VEEV).



Jake Olivieri, CFA



Partner

Jake Olivieri is partner at FE International. He leverages nearly a decade of experience in debt capital markets to advise clients on transactions across FE's verticals, with a focus on Ecommerce. Throughout his career at FE International, Jake has advised on over \$500M in transactions.



Ashley Bohn



Partner

Ashley Bohn is a partner in the Investment Banking team at FE International. Bohn provides advisory services across FinTech, digital media, and similar areas. She previously worked in public accounting where she serviced companies with gross revenues ranging from six to ten figures within the technology industry. She is a Certified Public Accountant in New York State.



Max Alderman



Partner

Max Alderman is a technology investment banker with over eight years of experience and \$7B+ in TMT M&A transactions. He has led cross-border deals, managed global teams, and worked with founders, PE firms, and strategic buyers. Previously, he advised on tech M&A at BofA Merrill Lynch and J.P. Morgan.



Ken Kubec



Partner

Ken Kubec is a partner in the Investment Banking team at FE International with 7+ years of buy-side M&A experience in ecommerce and media, deploying \$2B across 200+ acquisitions, scaling a 50-person team, and operating a \$30M ecommerce company as COO, following 10+ years as an equity investment manager at Fidelity, Manulife, and State Street.

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 clients¹

\$48M

Average Transaction Value

94.1%

Percentage Completed Transactions²

70%+

Percentage of Sell-Side Transactions

Sector Expertise



Ecommerce



Artificial
Intelligence



Agency &
Marketing Solutions



Marketplace
Apps



Education Technology
and Online Training



Cybersecurity



FinTech

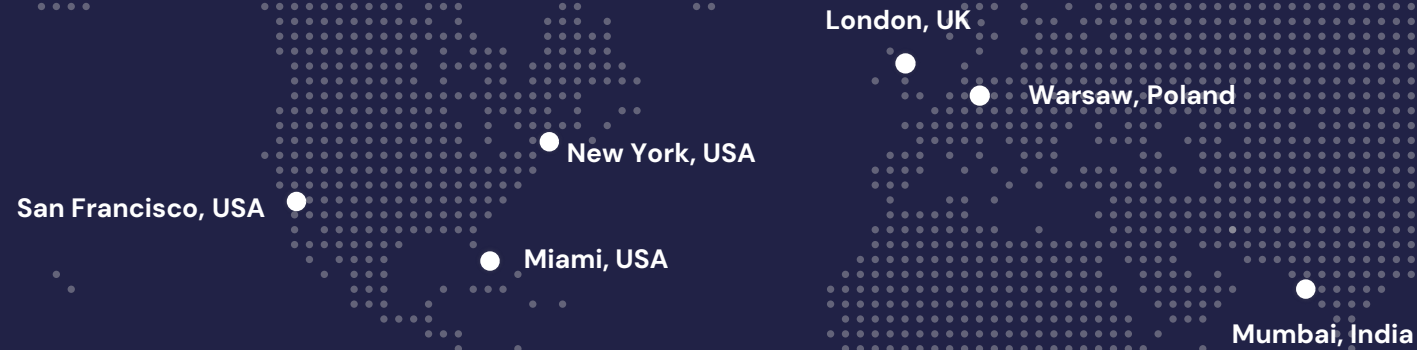


SaaS

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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