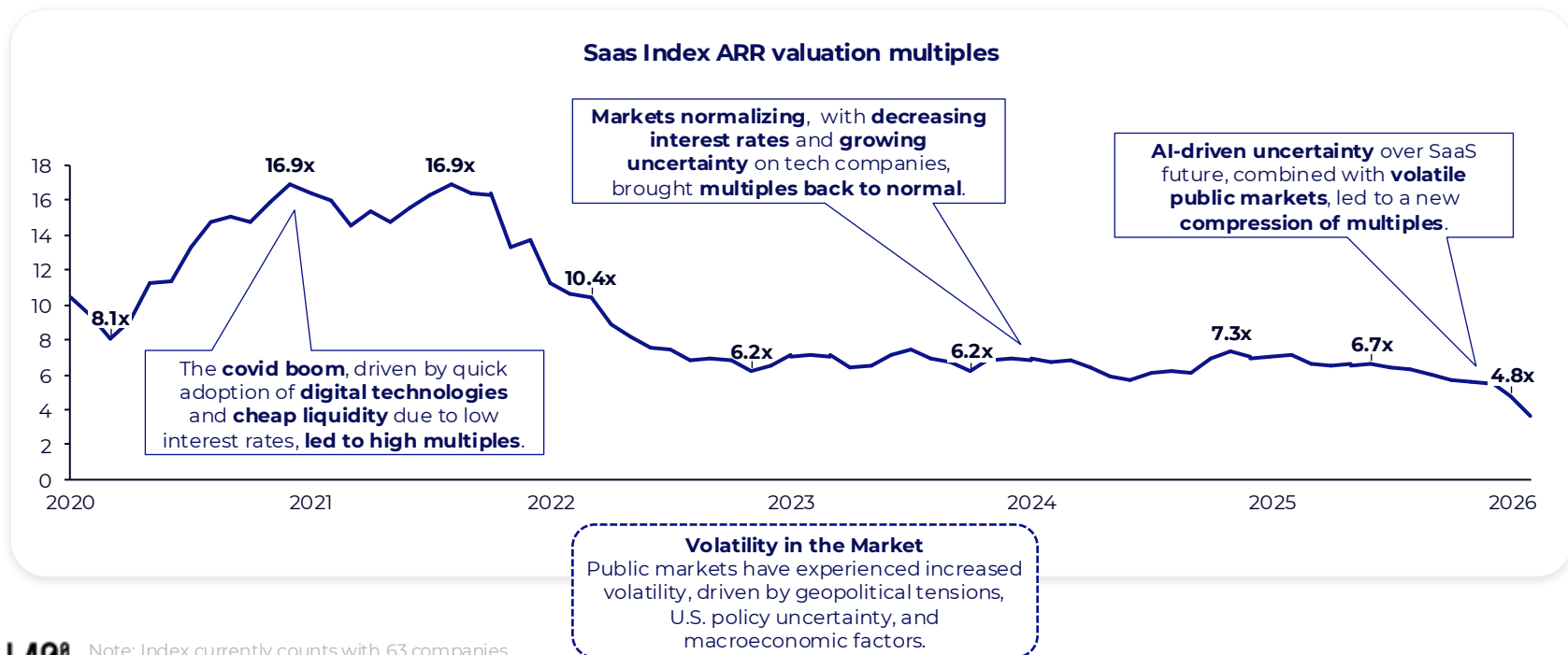


Mid-year Market Update

June 2026

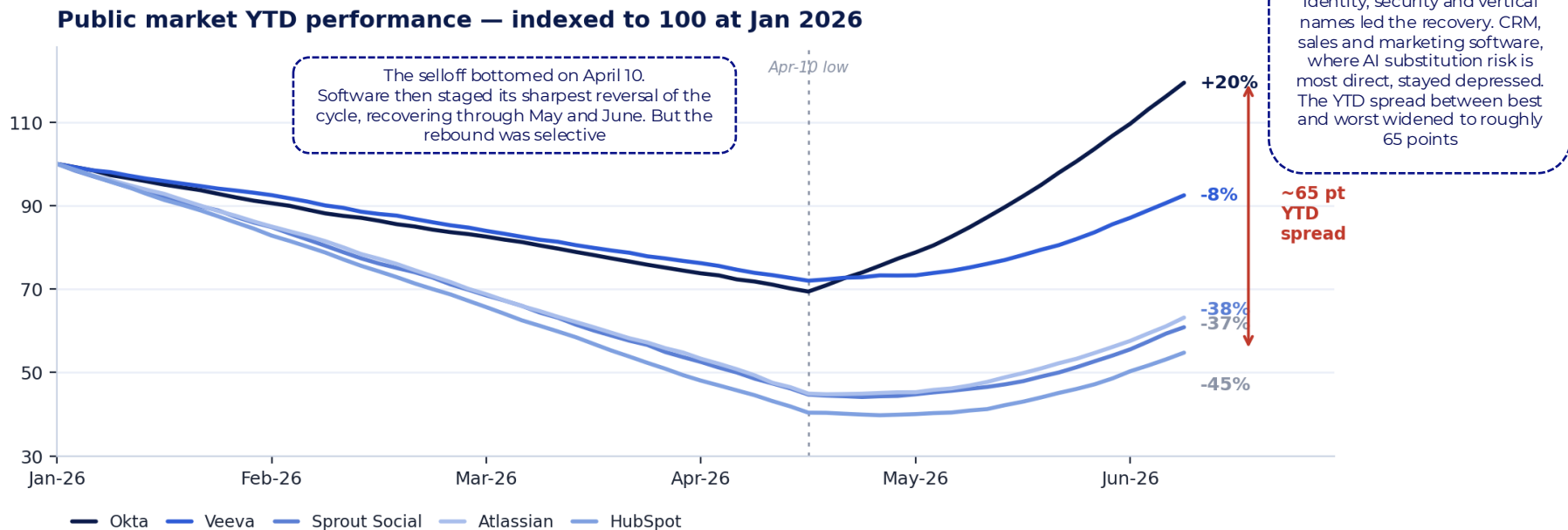
Average software valuations have declined after 2 years of stability post covid peak

AI-driven uncertainty over SaaS, combined with volatile public markets, drove multiples to a decade-plus low in Q1 2026. The open question at mid-year is whether the floor holds.



However, not all SaaS are equal: select segments are proving more resilient than the headline suggests

Public market YTD performance points to a widening window of opportunity for vertical and mission-critical software, as investors favor sector-specific platforms with clearer end-market exposure over broader horizontal SaaS models most exposed to AI substitution.



The paradox: public markets fell, deal demand did not

Public valuations and private deal activity diverged in the first half of 2026: multiples compressed while well-capitalized buyers continued to pursue quality assets.

~\$1T

SaaS market cap erased in Q1 2026 (the "SaaSpocalypse")

\$2.5T+

Private equity dry powder waiting to deploy

3

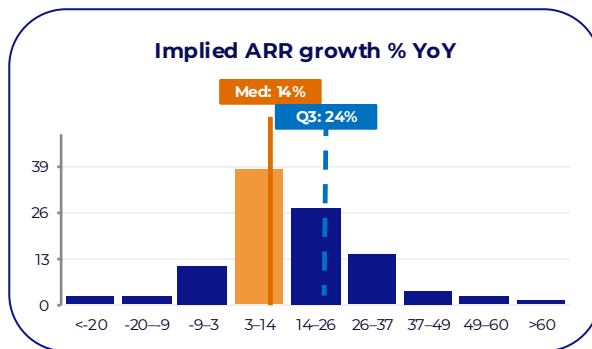
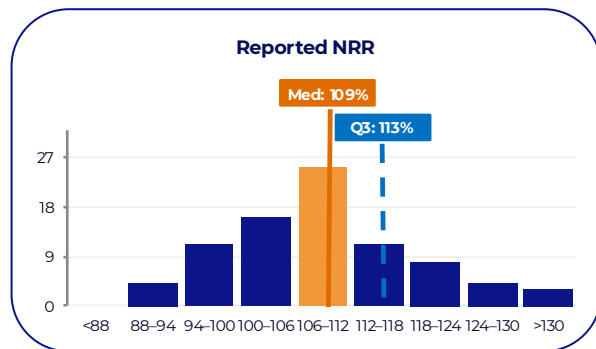
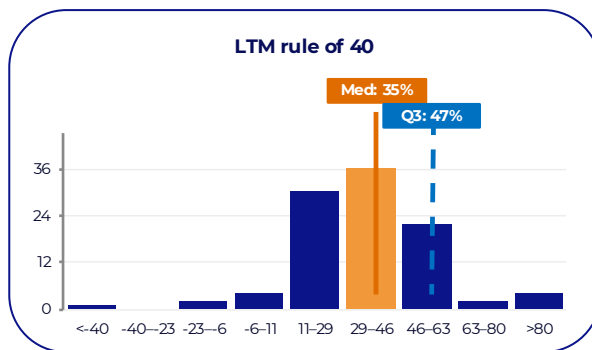
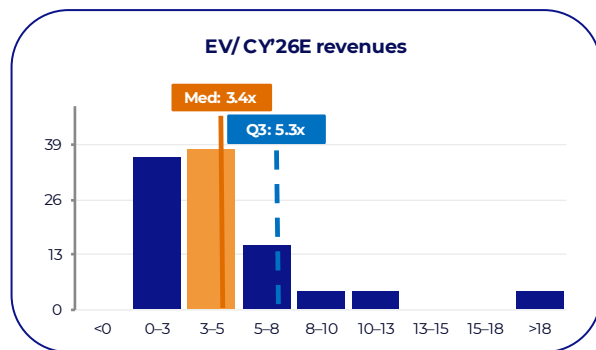
landmark take-privates in months:
OneStream, Dayforce, Clearwater

The Q1 selloff was triggered when press coverage tied Anthropic's January launch of Claude Cowork to fears that AI agents could replace per-seat SaaS. Public investors repriced first and asked questions later.

Private buyers did the opposite. Private equity, sitting on record dry powder, read depressed public multiples as a buying window and accelerated take-privates of quality software platforms. Strategic acquirers kept executing multi-year consolidation theses in cybersecurity, vertical SaaS, and AI infrastructure.

In M&A, demand is real for the right asset, run through the right process.

Selecting, calculating and correctly skimming metrics to underscore equity story is a key valuation driver



Key Metrics

- Both private and public multiples have shown increased dispersion, with M&A deals now happening as low as 2x revenue and as high as 10x depending on different factors
- Companies with ARR>\$10M tend to command overall higher multiples than companies with \$5-10M ARR
- Key metrics include
 - Rule of 40** (EBITDA margin + revenue growth y-o-y), with investors seeking 40+
 - Each separate element of Rule of 40 (growth and margin) exceeding 10%
 - Net revenue retention** (all revenue excluding new customer acquisition) being higher than 100%
 - Gross revenue retention** (all revenue excluding new customer acquisition and old customer expansion) being higher than 85%

L40°'s premier access to the financial backbone of the tech industry providing unique insights

172

PE Buyers

5,780

Portfolio companies

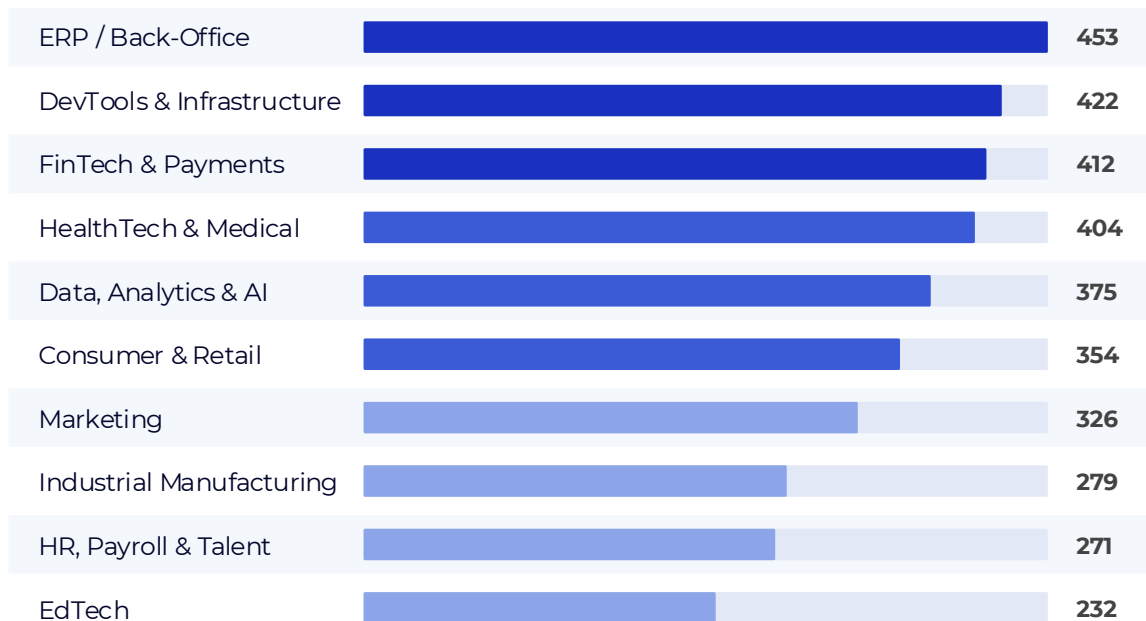
28

Mapped verticals

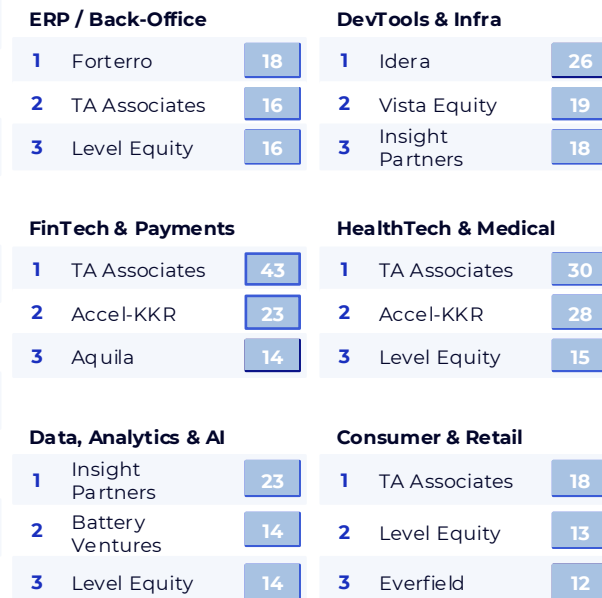
26

Sector specialists

Top 10 verticals by acquirer interest



Top 10 acquirers by vertical



L40° Mapped exclusively from L40°'s network of senior financial sponsor CRM contacts

What strategic acquirers, financial sponsors and investors are looking for in the current market

Selected recent commentary by investors and acquirers

“We rank companies based on AI disruption risk on a scale of 1 to 8 based on likelihood of (a) replacement by internally built tools (b) replacement by new entrants building the same product (c) replacement by a new product with more advanced AI features” – *Growth equity fund*

“Key moats include: vertical industry expertise; a solid network within customers and vendors; regulatory barriers; real-time or critical infrastructure needs; customer support or service components” – *Large cap buyout fund*

“When the end user is not tech savvy and AOV is moderate, it feels more robust than selling to developers or other software companies” – *Large-scale mid-market acquirer*

“We are betting strongly on CFO tools and being very restrictive in marketing tech, with less than 10% of martech opportunities making it through our committee” – *Permanent capital holdco*

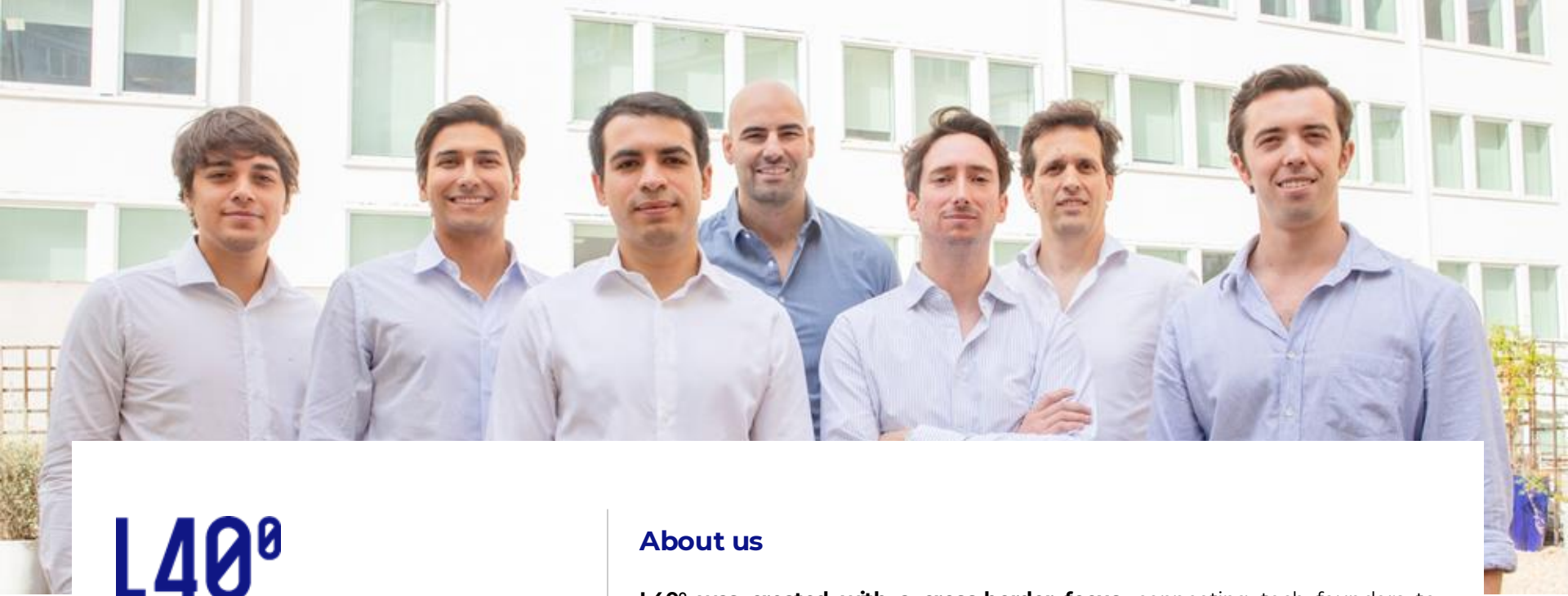
“We recently bought out and delisted a CFO tools platform for 10x+ revenues and will bet strongly on add-ons” – *Large cap buyout fund*

“We plan on selling most of our legacy portfolio in the next 24 months to bet stronger on two recent AI plays” – *Venture builder*

“Tough times to deploy because (a) portcos not requiring follow-on investments (b) scared to bet on SaaS (c) AI companies feel like too large and bold for us” – *Mid-sized Series A VC*

“With product no longer being the moat and lower CAC strategies, there is renewed interest for consumer products, marketing-driven businesses, marketplaces and network effect platforms” – *Super angel investor*

About L40°



L40°

Global M&A for founders

About us

L40° was created with a cross-border focus, connecting tech founders to opportunities across North America and Europe, two thriving ecosystems linked by latitude 40° North. We guide founders through key milestones, **offering strategic M&A and debt advisory** to help them achieve exceptional outcomes.

With extensive experience in the software and tech sector, in the past 20 years, **our team has closed more than 180 transactions**, drawing on deep expertise as founders, operators, and investors.

What sets L40° apart



Deep expertise in technology sectors

Specialized in B2B and B2C SaaS, marketplaces, and technology-driven business models



Extensive network across verticals

Trusted relationships with leading strategic and financial buyers across key verticals and geographies



Global reach in the Americas and Europe

With offices in Miami, Lisbon, and Madrid, we bridge opportunity through both regions



Founder-led, diverse team of bankers

Our team combines M&A expertise with hands-on experience founding and scaling tech companies



Data-driven market intelligence

Proprietary analytics and benchmarking platform to optimize positioning and valuation



Exclusive alignment with founders

We exclusively work on the sell-side, ensuring alignment with founders, trust and independence

Strategic advice, from founders to founders



M&A Advisory

Leverage our expertise across the full M&A lifecycle:

We engage early on with companies to provide a strategic analysis, industry insights and positioning, and all preparatory work, before running a process with relevant, selected counterparties.



Credit Advisory

Our capital markets expertise in asset-backed lending and private credit enables access to reputable providers tailored to the company's objectives. Our services encompass negotiations, structuring terms, and managing the credit process.

End-to-end, seamless deal execution

Hands-on execution that creates competitive tension, maximizes value, and minimizes management burden

01

Prepare & Position

Validate equity story, financials and valuation, producing financials/projections, a **KPI pack** (MRR cohorts, GRR/NRR, LTV/CAC, CAC payback) and Infomemo with a **solid equity story**. Ensure alignment at board and **cap table** level, anticipate potential DD issues, and design the **data room**.

02

Targeted Outreach

Curate potential buyers by thesis, geo, and target valuation; pre-qualify timing and bandwidth. Equip **IC-ready materials** for financial investors; set clear timing expectations, and when needed, align early on **deal structure**, growth and succession plans and **governance**.

03

Drive Negotiations

Run **structured offer letter windows** to create real price discovery and momentum. **Optimize not just valuation but terms and structure**, KPI-tied milestones and other deal elements, while **maximizing certainty of close**.

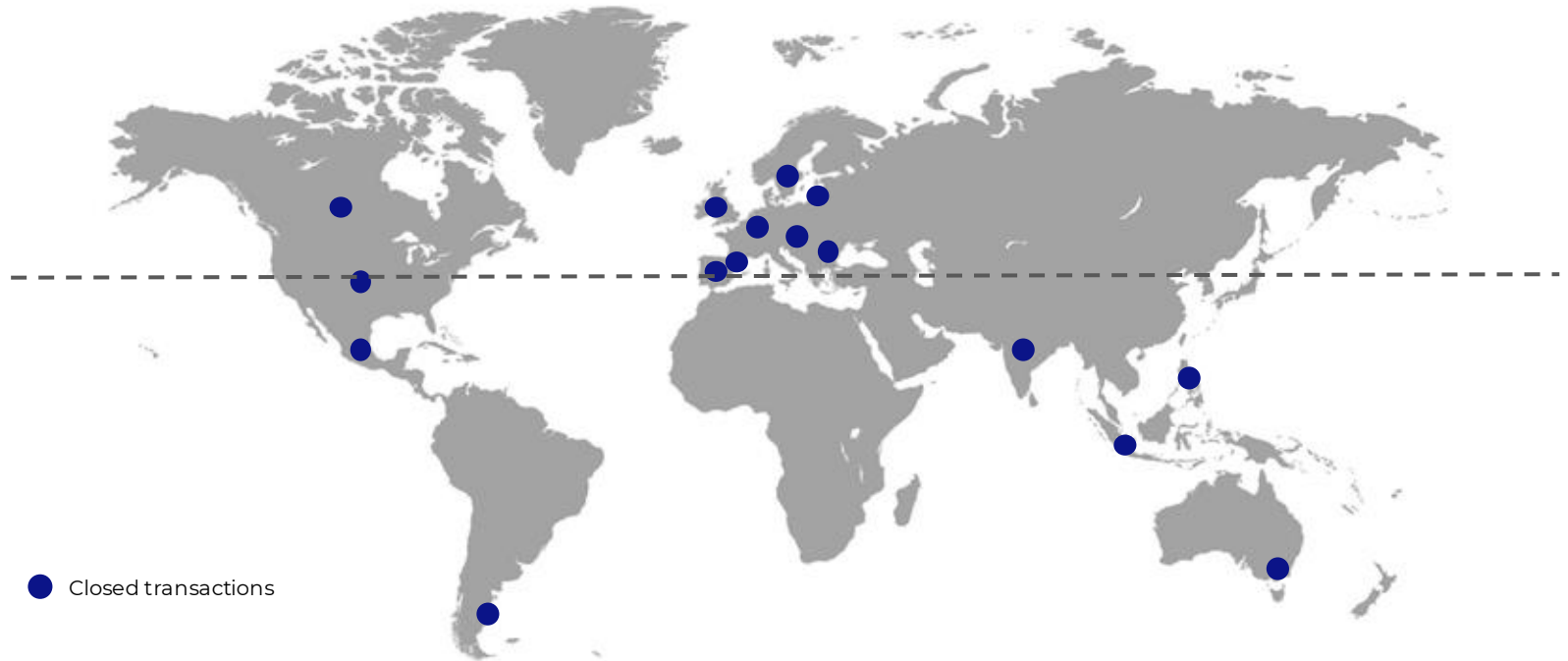
04

Execute & Close

Lead diligence execution (commercial, product/tech & security, legal/IP, finance/QoE, tax, HR) plus customer and reference checks. **Manage VDR and Q&A**, coordinate vendor QoE/tech DD, coordinate legal advisors, lock governance, and drive CPs, **funds flow**, and comms through **signing and cash-in**.

Global Reach & Network

Supporting tech founders with on-the-ground presence in Miami, Lisbon, Madrid and Manila



Focused Exclusively on Technology

Software-led & scalable: categories with recurring/transaction-linked revenue and operating leverage.

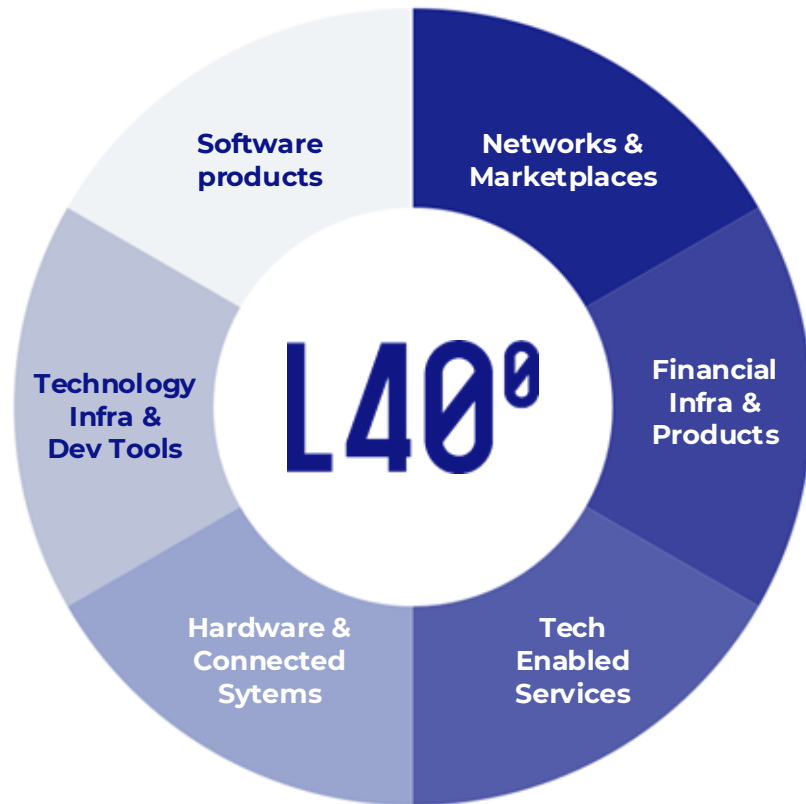
L40° buyer reach: broad universe of strategics and sponsors within our network.

Data-rich & auditable: performance is measurable, comparable, and defensible, ideal for a robust yet clean process.

Equity story → alignment in valuation

L40° looks to craft an attractive equity story: we work with companies we understand and can position against peers and explain to potential acquirers.

Valuation alignment: ability to design a deal that fits within market conditions, including also payout structure and governance.



Senior team with broad expertise in the technology sector



Juan Ignacio García
Founder and CEO

Juan Ignacio has **20 years of finance experience**, including **private equity at Portobello Capital** and **investment banking at Merrill Lynch**, where he worked on exits like Maxam's sale to Advent and Técnicas Reunidas' IPO.

As **CFO and co-founder of Cabify**, he raised \$500M, scaling the company from **\$1M to \$800M in annual revenue**.

He holds an **M.Eng. in Telecommunications** from the Polytechnic University of Madrid.



Manuel Amor
Partner

Manuel is a former **McKinsey and Deloitte** management consultant with **12+ years of experience** in the financial sector. He worked in **investment banking at Sareb on the sale of €400M** in Real Estate portfolios.

He has deep **operational experience in the digital space, leading the expansion of DiDi** (Chinese unicorn) across LatAm and EECA.

He holds a **M.Eng. in Civil Engineering** and a **MBA from Insead**.



Ignacio Villanueva
Partner

Ignacio spent the first **10 years of his career as a professional athlete**, representing Spain at the **Rio'16 Olympics**.

He has **7+ years of experience in the financial sector**, including the **corporate VC** of Enagas; **Fuell**, the corporate credit card business (exited to Factorial) and **Boopos**, where he developed **extensive knowledge of software M&A**.

Ignacio obtained a **BA in Business and Law** from Carlos III University.

Execution excellence across all seniority levels

Team Member	Professional Background	Education
 Ricardo Sánchez Associate	Ricardo began his career in M&A at PwC Deals , where he advised on a range of buy-side and sell-side transactions and developed a strong focus on valuations and financial modelling across industries.	Dual Degree in Law and Business from CUNEF ; Specialized training in Accounting and Finance from IEB .
 Carlos Muñoz Associate	Carlos has 7+ years of experience in Asset Management and Corporate Banking at UnionBank of the Philippines. Prior to joining L40°, he worked at Boopos , analyzing thousands of digital businesses to support financing and acquisitions .	MBA from IE Business School and Management of Financial Institutions from De La Salle University
 Javier López Associate	Javier has built his career in M&A and debt advisory as a Senior Associate at PwC , where he worked on deals in a variety of sectors, including Technology, Media and Telecommunications. Prior to PwC he was an analyst at Imagine+ , a search fund in the Iberia region .	Dual Degree in Business and International Relations from ICADE .
 Rafael Werner Analyst	Rafael has built his career in finance through roles at Bank of America in investment banking and at Leblon Equities , where he worked on equity research and valuations. Additionally, he worked for one year as an Associate in the IE M&A Club.	Bachelor in Business Administration from IE Business School .

Execution excellence across all seniority levels

Team Member	Professional Background	Education
 Pablo Lamarca Analyst	Pablo has built his career in finance through roles at PwC and Santa Ana Global Enterprises , with strong exposure to FP&A, financial reporting, and international audits . He played a key role in the IPO process , leading financial reporting, consolidation, and due diligence across multiple subsidiaries.	Master's in Financial Management from UPF Barcelona School of Management . Degree in International Business from UB .
 Andrea Balletbó Head of Growth	Andrea Balletbó is a seasoned M&A advisor with a strong track record in tech and entrepreneurship , both as a SaaS founder and working at companies such as Quora . She has led numerous acquisitions across SaaS and other tech verticals and now leads L40°'s growth efforts.	Master's in Management and Digital Business from IE Business School .
 Alex Fakhre Levera M&A	Alex has over a decade of experience in tech, founding his first business at 24 . Since then, he has built extensive expertise as a buyer, seller, broker, and M&A executive , with 5+ years on both buy-side and sell-side transactions at Empire Flippers, Grayl (his own firm) and Boopos . Through his firm Levera, he supports L40° in small cap tech deals .	Bachelor in Business Management from the University of Leeds .

L40⁰

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