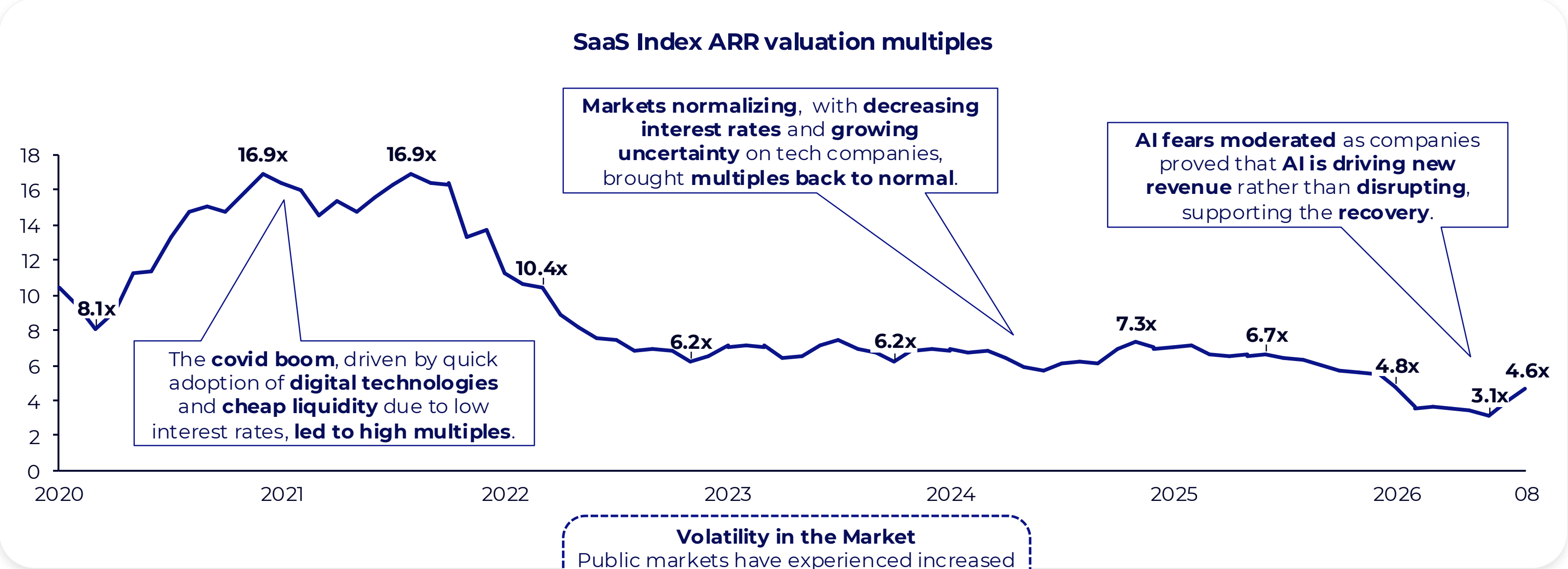
Q3’26 Market Update

September 2026

Average software valuations have started to recover after hitting record lows

AI-driven uncertainty around SaaS, combined with volatile public markets, drove multiples to a record low in the first half of 2026. The second half of the year has seen a recovery in valuations. The key question now is whether this can be sustained through Q4.

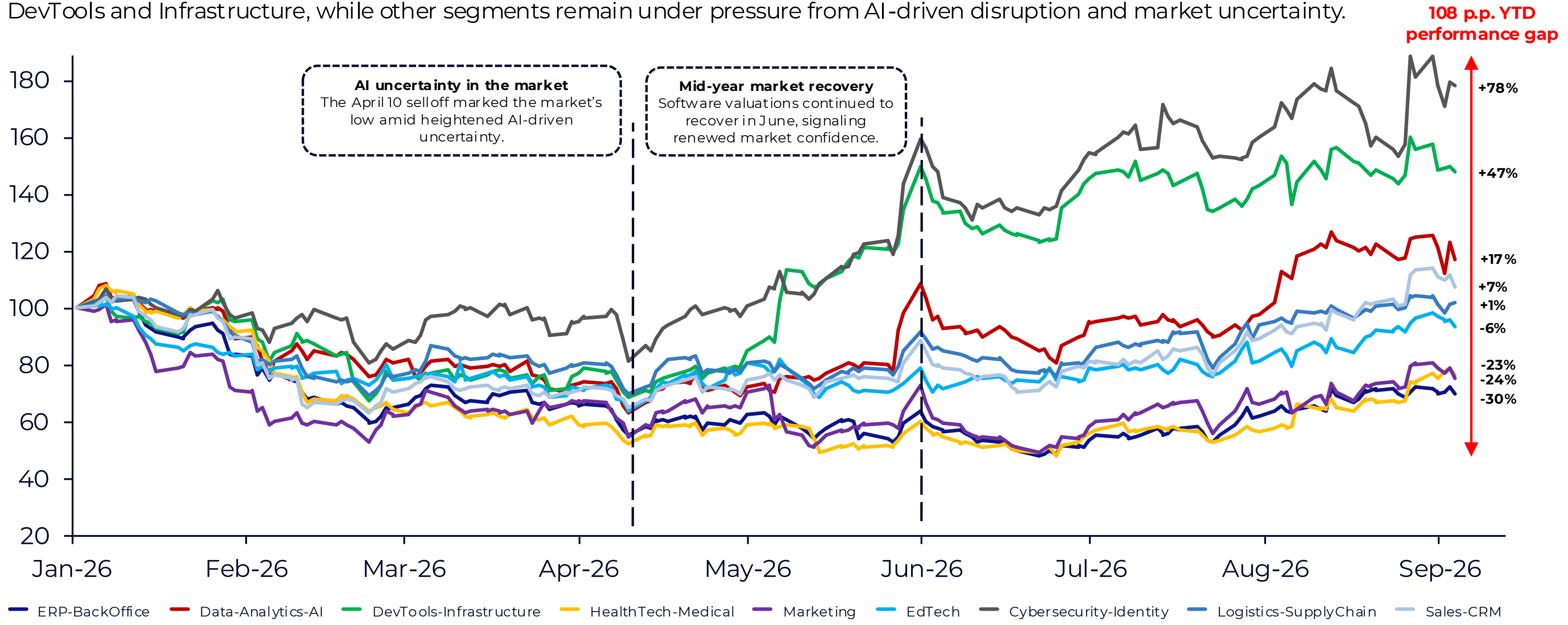


Volatility in the Market
Public markets have experienced increased volatility, driven by geopolitical tensions, U.S. policy uncertainty, and macroeconomic factors.

Note: Index currently counts with 63 companies.
Source: SaaS Capital; L40° Analysis.

However, not all tech are equal: certain verticals are showing a faster recovery rather than others

Public market YTD performance points to a strong recovery across specific SaaS verticals, particularly Cybersecurity and Identity Verification and DevTools and Infrastructure, while other segments remain under pressure from AI-driven disruption and market uncertainty.

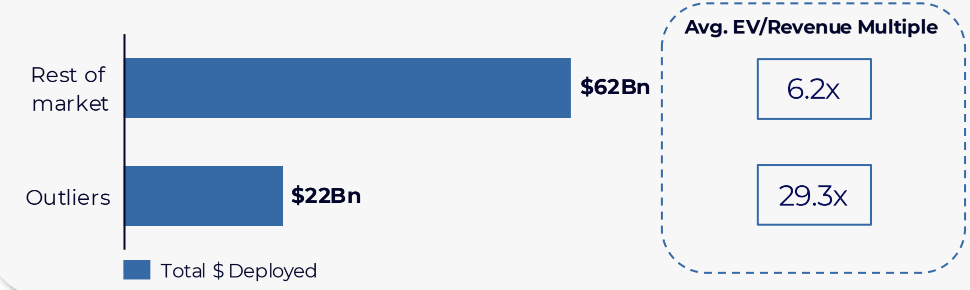


Source: L40° Analysis.

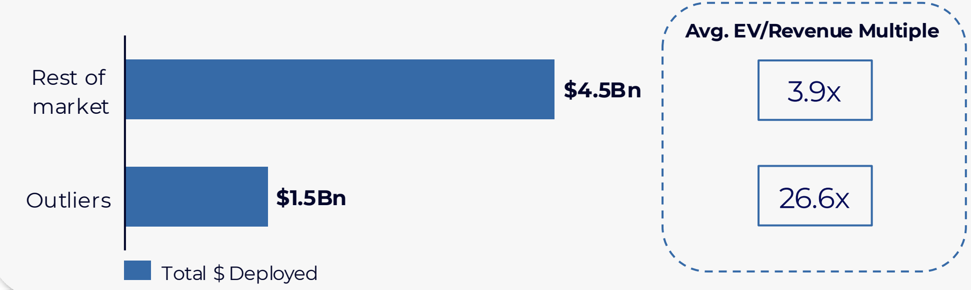
In private markets, mid-market deals are closing at an average ~4x EV/Revenue

Outliers averaged **29.3x EV/Revenue** vs. **6.2x** for the rest of the market, yet **74% of capital went to non-outlier deals**.

All Tech 2026 Disclosed Deals



All Tech 2026 Sub-$1Bn Deals Only



Key Highlights

Most of deals closed at “normalized multiples”

$62Bn has been deployed across a broad set of companies at an average **6.2x EV/Revenue multiple**, highlighting that M&A activity extends beyond AI-driven outliers.

Middle market deals (sub $1bn) at ~4x EV/Revenue

Across sub-$1Bn transactions, **$4.5Bn was deployed** in the rest of the market at an average **3.9x EV/Revenue multiple**, compared with $1.5bn across outliers.

Valuation outliers primarily correspond to AI companies

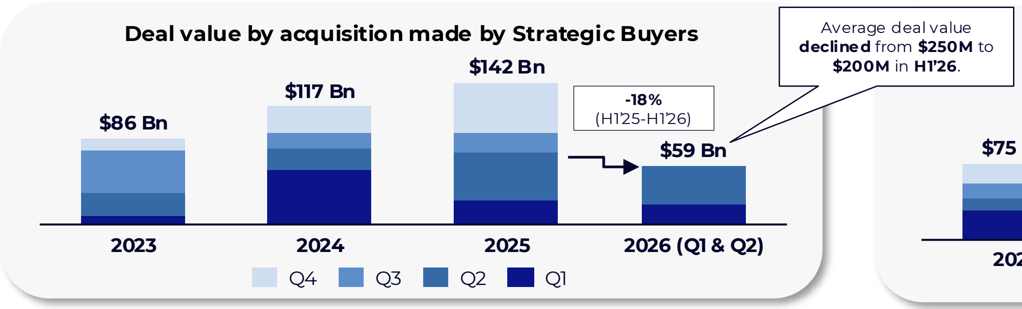
$22Bn was deployed in transactions at 20x+ EV/Revenue, highlighting the elevated valuations achieved by a select group of predominantly AI companies.

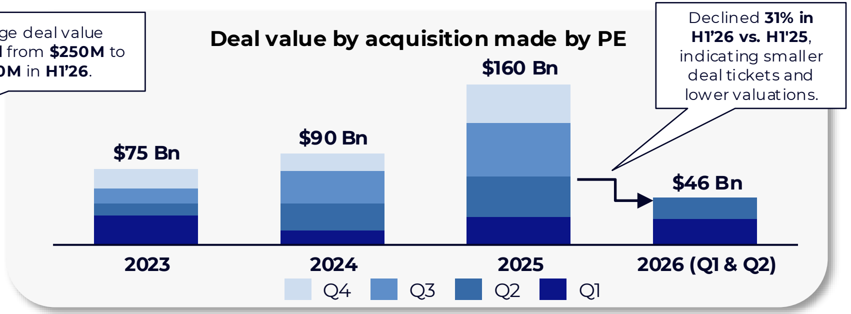
L40°

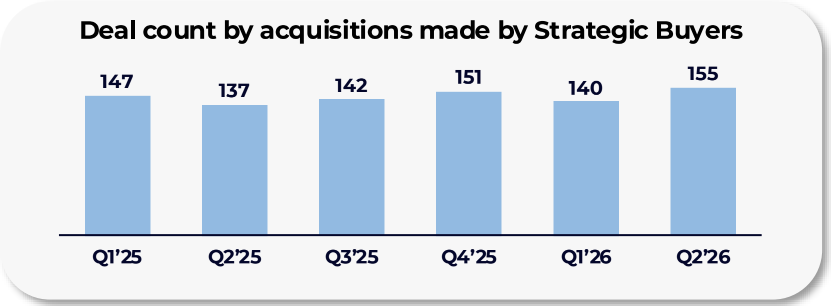
Note: n = 31 disclosed transactions in 2026. Outliers defined as EV/Revenue ≥20x. Analysis reflects multiples of publicly available transactions.
Source: PitchBook; L40 analysis.

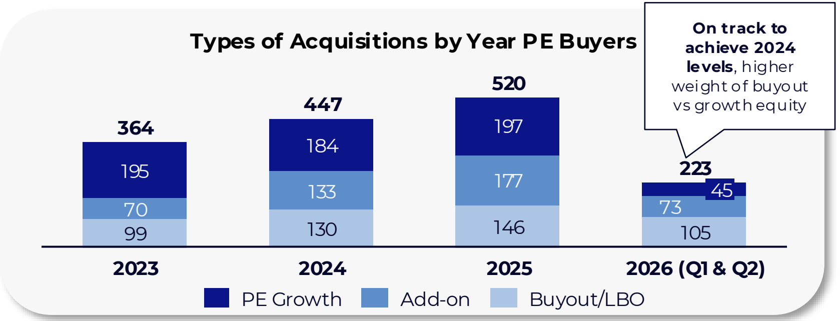
Strong market liquidity in private markets, with M&A deal count at 2025 levels

Strategic deal counts stayed stable per quarter, while PE value slowed to $45.6bn in H1'26, back to 2024 levels, reflecting fewer mega-deals and a greater focus on smaller transactions, supportive of mid-market activity.





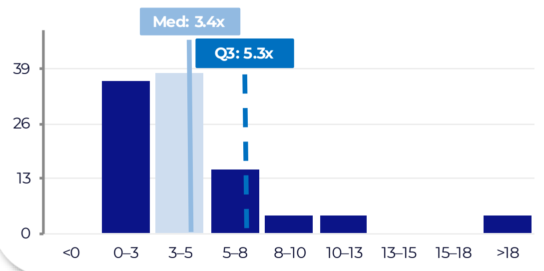




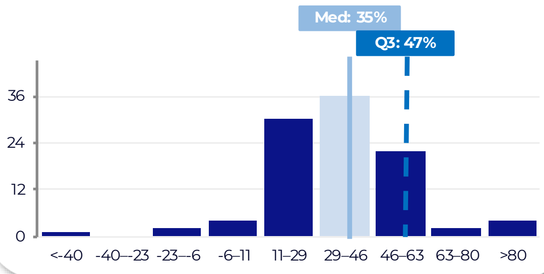
Source: PitchBook; tech M&A by vertical: L40° website analysis; press coverage; L40° analysis.

Beyond market multiples, certain key metrics and how they are presented in the equity story affect valuation

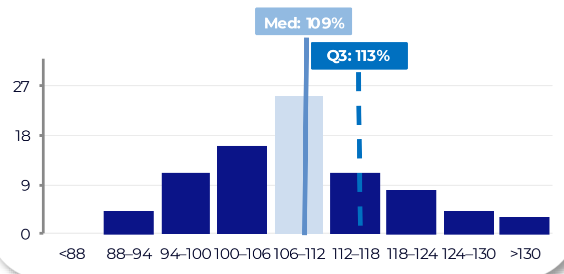
EV/ CY'26E revenues



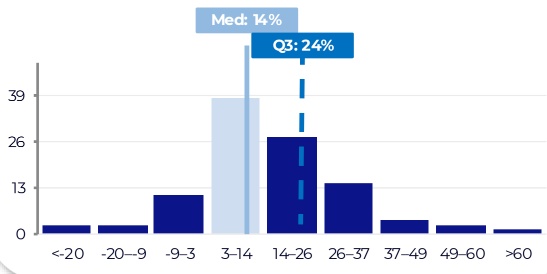
LTM rule of 40



Reported NRR



Implied ARR growth % YoY



Key Metrics

Both **private and public multiples have shown increased multiple dispersion**, with M&A deals now happening as low as 2x revenue and as high as 10x **depending on different factors:**

- **Size**: Companies with **ARR>$10M tend to command overall higher multiples** than companies with $5-10M ARR.
- **Rule of 40** (EBITDA margin + revenue growth YoY), **with investors seeking 40+**, with at least 10%+ profitability
- **Gross revenue retention** (all revenue excluding new customer acquisition and old customer expansion) being **higher than 85-90%**
- **Net revenue retention** (all revenue excluding new customer acquisition) being **higher than 100%**

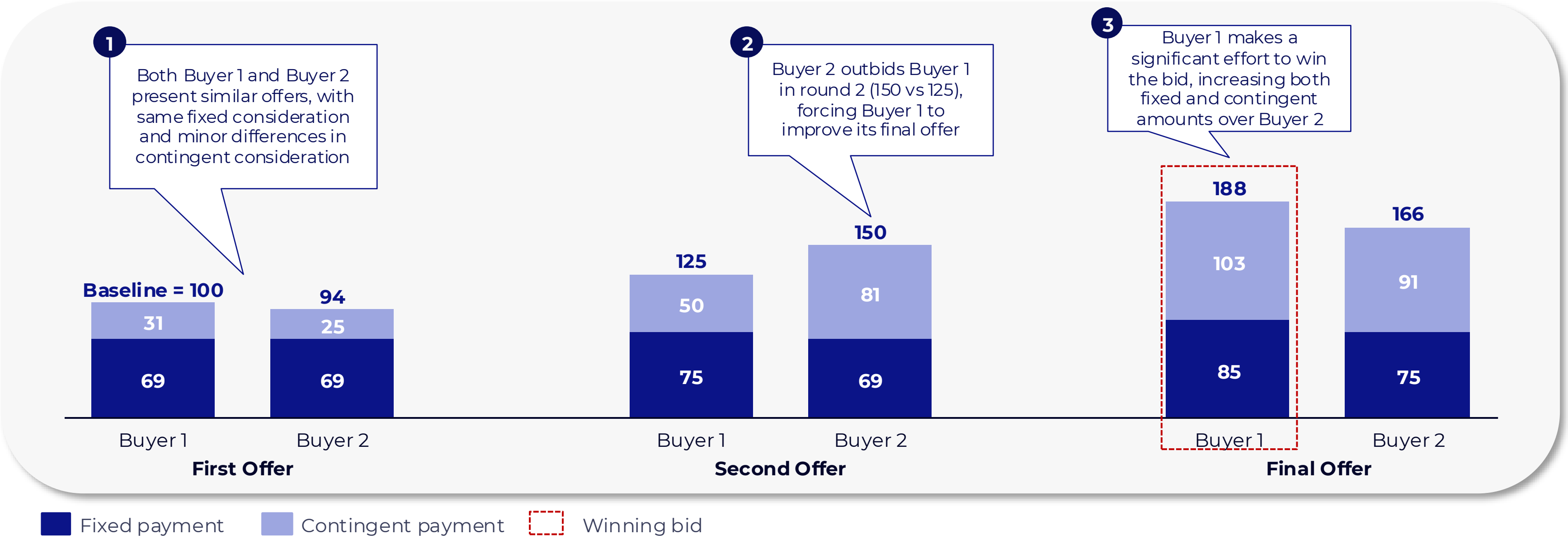
L40°

Note: The input is a set of 101 software companies from Meritech Analytics
Source: Meritech Analytics; L40 analysis.

Building competitive tension in a sell-side process supports multiple expansion and deal structure

Real example from a 2026 sell-side process run by L40°, where 5 offers were received and **L40° negotiated the top-2 offers upwards**. For **Buyer 1**, the offer increased by **+23% in fixed consideration and +88% in total deal consideration**.

All figures indexed to Buyer 1's first offer = 100.

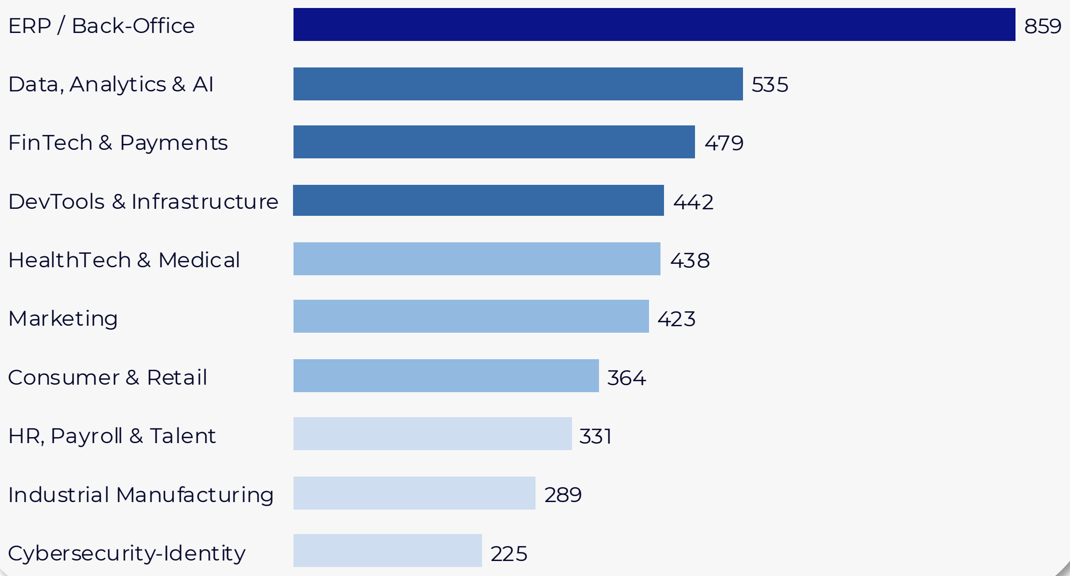


 Source: L40, amounts and names anonymized. EV in the $30m to $60m range.

L40°'s brings a global network of financial and strategic acquirers comprised of over 4,000 companies

169	4,069	28	26
PE Buyers	Portfolio companies	Mapped verticals	Sector specialists

Top 10 verticals by PE portfolio company exposure



Top acquirers by vertical

ERP / Back-Office

1	TA Associates	84
2	Level Equity	40
3	Vista Equity	26

Data-Analytics-AI

1	Level Equity	24
2	Vista Equity	24
3	TA Associates	23

FinTech-Payments

1	TA Associates	55
2	Accel-KKR	23
3	Aquila	14

DevTools-Infra.

1	Idera	26
2	Vista Equity	20
3	TA Associates	19

HealthTech-Medical

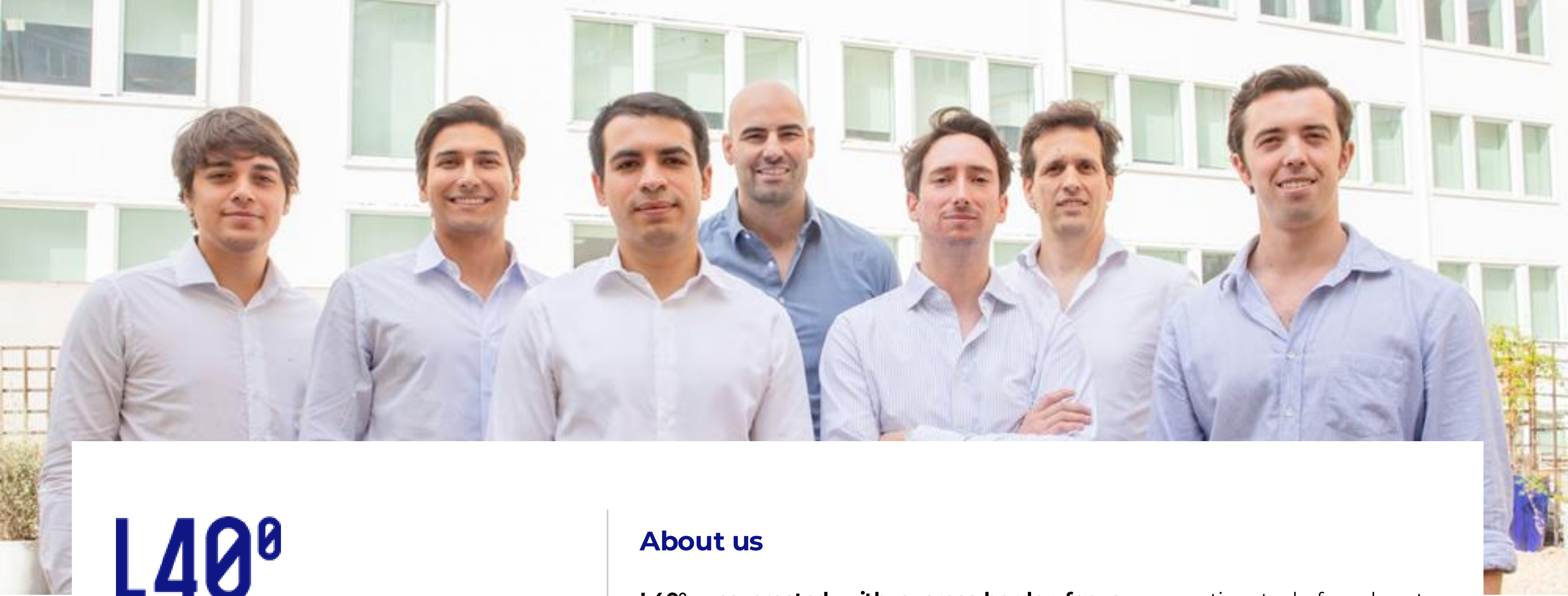
1	TA Associates	32
2	Accel-KKR	30
3	Apax Partners	16

Marketing

1	Level Equity	29
2	Tiny	19
3	Accel-KKR	15

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

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

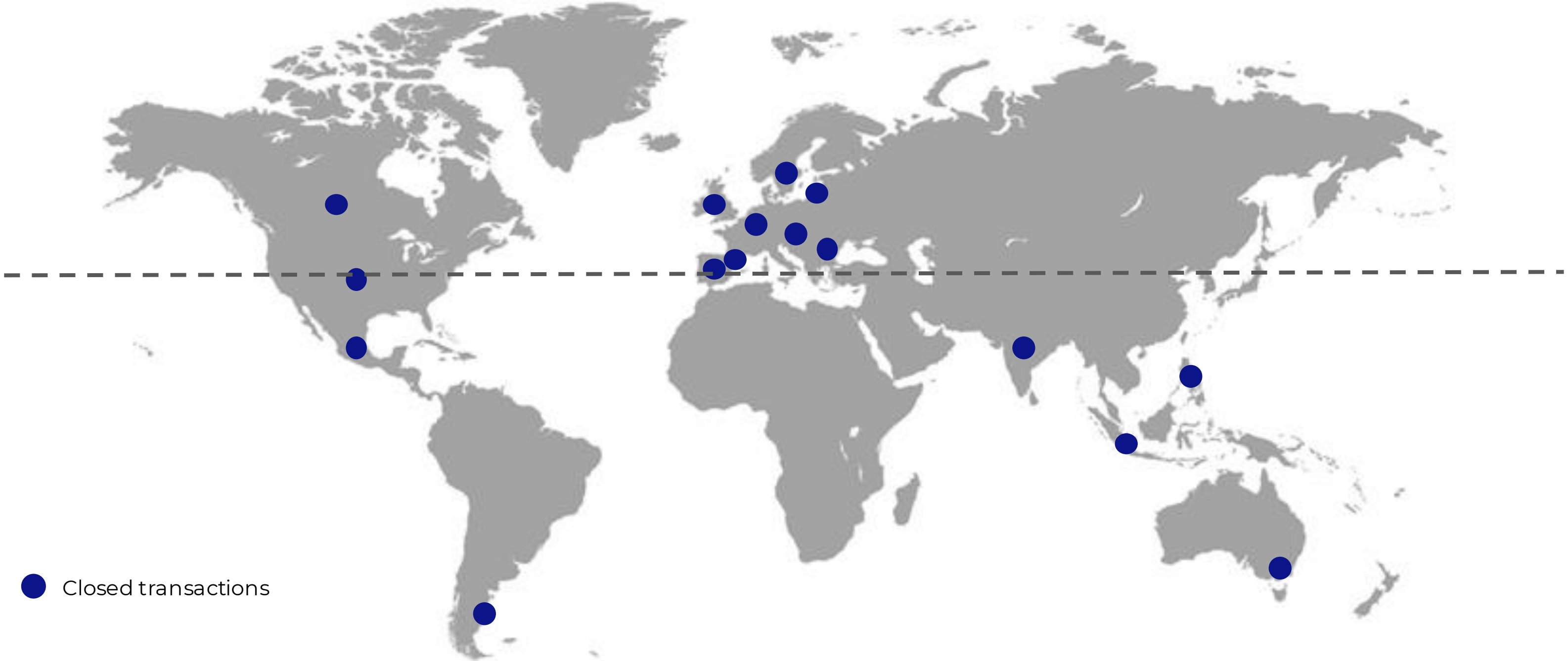
Run **structured offer letter windows** to create real price discovery and momentum. **Optimize not just valuation but terms and structure**, KPI-tied milestones and other deal elements, while **maximizing certainty of close**.

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.

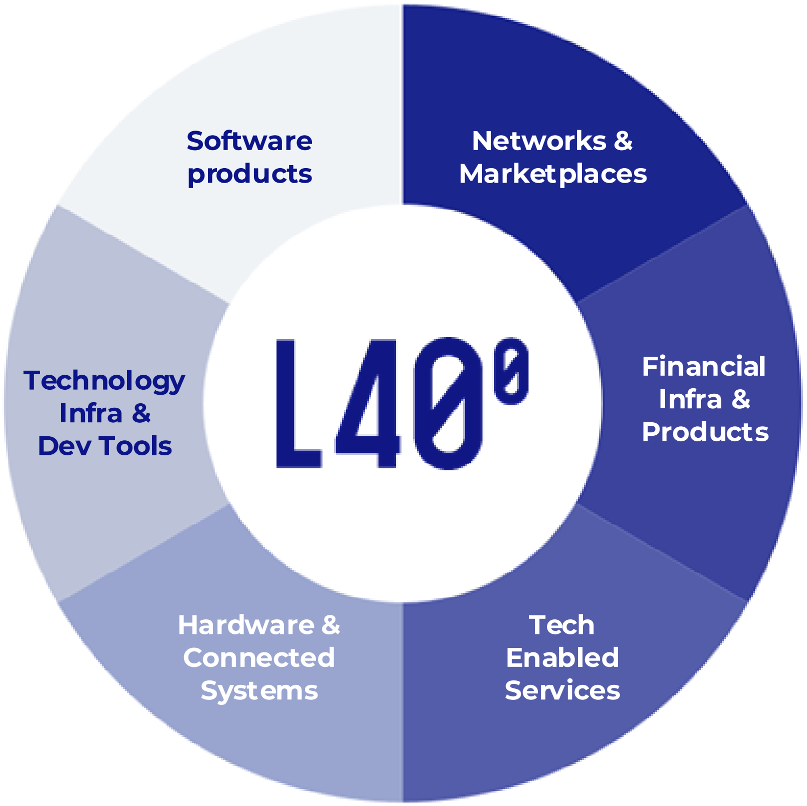
L40° buyer reach: broad universe of strategics and sponsors within our network.

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

<u>Equity story → alignment in valuation</u>

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** Senior 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** Senior 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**.
 **João Canavessi** Analyst	João started his career in investment and advisory through roles at **BTG Pactual** and **Signal Capital**, gaining exposure to **equity research and business valuations.** He brings a **strong analytical background** with experience in financial modelling and market research.	Master’s in Management from **IE Business School.** Bachelor’s degree in **Business Administration** from **King’s College** London.
 **Javier López-Tello** Analyst	Javier started his career in corporate finance through an **M&A role** at **Repsol**, gaining exposure to **valuations**, **financial modelling** and **due diligence**. He brings a **strong analytical** background with experience in financial statement analysis and market research to identify strategic targets.	Bachelor in **Business Administration from ICADE,** with a Minor in **Business Analytics.**
 **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**.

Proven track record

Strong deal track record in mid-market tech deals

ELIPSE Acquired by Runtime Enterprises Inc.	trenes.com Acquired by ixigo	krakenD Acquired by Shop Circle	bigred cloud Acquired by Melior Equity Partners	FirstPromoter Acquired by SpringWater	Jetboost Acquired by **Confidential**	Fasanara Capital Asset-backed lending for Boopos **$50M** Debt raise
TextHub Acquired by **Confidential**	StarRocket **Credit advisory**	Delivery Hero Acquired a stake in Glovo **$60M** Secondary	GAT Invested in vecttor **$50M** Equity raise	Santander Structured loan to vecttor **$55M** Debt raise	MM Invested in MOVO **$20M** Equity raise	IDB Structured loan to cabify **$60M** Debt raise
WTI Structured loan to cabify **$20M** Debt raise	EASY TAXI Acquired by cabify **$140M** Acquisition	Rakuten Invested in cabify **$300M** Equity raise	European Investment Bank Structured loan to cabify **$50M** Debt raise	MAXAM Beyond Performance **$1.2Bn** Divestment	ICFC Acquired by Portobello **$40M** Acquisition	Tecnicas Reunidas **$1Bn** IPO

Non-exhaustive. Includes exec team track record in previous firms

Strong track record in mid-market tech deals

Acquisition financing

kissmetrics	Blinksale	Client Nurture System	PetLinx	campsite.bio	announcekit	PowerImporter
Color More Lines	TITAN Network	Gigalixir	Mixed Analytics	mamas uncut	mullion	fetch
NOMOROBO	voice dream		closeby	Trackerbot	thirdshelf	DOT YETI.com

L40°

www.l40.com