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INVESTMENT BANKERS

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## Summer 2022 | Tech M&A Remains Resilient

### Despite Public Market Volatility, Technology M&A Activity Remains Robust

- Stocks suffered their worst first half of the year since 1970 with the S&P 500 and Dow Jones down -13.6% and -9.6% YTD, respectively
- Tech stocks have fared worse, with the Nasdaq down -21.2% YTD, and nearly every subvertical facing significant multiple contraction
- Technology M&A has cooled off since the highs in 2021; however, Q2'22 deal value and deal count remained elevated compared to historical averages

**Public Market Performance YTD**

Index	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
NASDAQ	-5.0%	-10.0%	-15.0%	-10.0%	-25.0%	-30.0%	-25.0%
S&P 500	-2.0%	-5.0%	-8.0%	-5.0%	-15.0%	-18.0%	-13.6%
Dow Jones	-1.0%	-3.0%	-6.0%	-3.0%	-10.0%	-12.0%	-9.6%

**Technology Deal Value and Deal Count**

Quarter	Total Deal Value (\$BN)	Deal Count
Q1 2018	30	250
Q2 2018	22	200
Q3 2018	31	250
Q4 2018	35	280
Q1 2019	34	280
Q2 2019	48	300
Q3 2019	29	250
Q4 2019	28	220
Q1 2020	37	250
Q2 2020	29	180
Q3 2020	31	250
Q4 2020	51	350
Q1 2021	48	380
Q2 2021	64	400
Q3 2021	91	450
Q4 2021	58	400
Q1 2022	74	300
Q2 2022	43	200

### Significant PE Dry Powder Should Continue to Support Technology M&A

- Dry powder amongst U.S. private equity firms, ~\$731MM going into 2022, should continue to support M&A activity, especially for high-quality tech companies that can demonstrate growth and profitability
- While investors have begun taking a more cautious approach to valuation, deals are still getting done at a premium when compared to historical levels

**U.S. PE Dry Powder 2006-2021**

Year	U.S. PE Dry Powder (\$MM)
2006	300
2007	350
2008	380
2009	350
2010	320
2011	330
2012	340
2013	380
2014	400
2015	450
2016	500
2017	600
2018	700
2019	750
2020	800
2021	731

**Historical Technology EV / Revenue Multiples<sup>1</sup>**

Quarter	EV / Revenue Multiple
Q1 2018	3.0x
Q2 2018	2.5x
Q3 2018	2.5x
Q4 2018	2.6x
Q1 2019	3.0x
Q2 2019	4.3x
Q3 2019	3.5x
Q4 2019	3.2x
Q1 2020	3.0x
Q2 2020	4.5x
Q3 2020	2.8x
Q4 2020	3.8x
Q1 2021	3.0x
Q2 2021	4.0x
Q3 2021	7.8x
Q4 2021	9.2x
Q1 2022	6.5x
Q2 2022	5.0x

### Advice for Clients Navigating Uncertainty

- For technology companies considering a sale, **we would encourage those who are able to demonstrate continued growth and strong pricing power to explore a transaction in the near-term while interest in tech buyouts remains strong**
- Regardless of appetite for M&A, it's prudent for business owners to prepare their business for the potential recession and upcoming downturn in the business cycle
- As trusted advisors for 25+ years, Meridian is well-positioned to help you navigate these uncertain times and any challenges your business may be facing

Sources: Pitchbook. Public market data as of July 31, 2022

1: Includes transactions where the target company had revenue of \$1MM or greater. Q2'22 excludes two outlier transactions where the companies were acquired by SPACs at 99x and 21x revenue