WILSON SONSINI

University of Texas Corporate Counsel Institute Houston, Texas

Preparing for an M&A Sale Transaction

May 15, 2025

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Speakers

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Overview of Topics

- Market Conditions for Private M&A (5 mins)
- Role of the Investment Bank (10 mins)
- Engagement Letter Terms (10 mins)
- Preparing for Due Diligence (15 mins)
  - Buy side
  - Sell Side
- Review of Recent Delaware Caselaw (5 mins)
- Q&A

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Market Conditions

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Executive Summary

This executive summary outlines the key highlights of the U.S. SaaS M&A landscape in 2024. The rebound in activity, the prominence of early-stage companies, and the leading role of private equity in driving transactions illustrate a dynamic market poised for a robust 2025.

Market Recovery

SaaS M&A activity in the U.S. rebounded in 2024, with deal volume up approximately 7% year-over-year, signaling renewed investor confidence and market engagement.

The increase in deal volume reflects a shift in buyer interest towards earlier-stage companies, which comprised nearly 45% of all transactions.

Despite fewer late-stage exits, those that occurred were higher in value, indicating a stratified market where quality assets command premium prices.

The overall market sentiment is optimistic, with many industry experts predicting continued growth as economic conditions stabilize.

Buyer Dynamics

Private equity (PE) firms emerged as the dominant buyer type, responsible for over 57% of all SaaS M&A activity, leveraging significant capital reserves to pursue strategic acquisitions.

Strategic buyers, including major technology firms, accounted for around 42% of the total transactions, focusing on acquiring innovative technologies and talent, particularly in AI and vertical SaaS sectors.

The competitive landscape among buyers has intensified, with PE firms increasingly targeting high-growth potential startups to enhance their portfolios.

Notable PE firms such as KKR and Thoma Bravo have been particularly active, indicating a strong appetite for SaaS investments.

The U.S. SaaS M&A market has shown a notable recovery in 2024 with a 7% year-over-year increase in deal volume, driven predominantly by early-stage companies. Private equity buyers have emerged as the leading force, accounting for over 57% of transactions, while key trends signal a promising outlook for 2025 as competitive pressures and rate cuts encourage further activity.

Source: OBR Partners

Deal Activity by Company Stage

The breakdown of deal activity shows a significant shift towards early-stage companies, indicating a strategic pivot in the M&A landscape. While early-stage deals dominate in number, late-stage transactions, though fewer, tend to involve higher valuations, reflecting the varying dynamics across company stages.

	Early Stage (Seed)	Growth Stage (A–C)	Late Stage (D+)
Overview	Approximately 45% of all M&A deals in 2024 involved early-stage companies, primarily focusing on talent acquisitions or 'acqui-hires'. These deals are characterized by smaller transaction sizes, often aimed at integrating innovative technology or skilled teams into larger organizations.	Growth-stage companies accounted for approximately 30-35% of M&A activity, showcasing a healthy appetite for mid-sized firms with established market presence. These transactions often involve strategic alignments to expand product offerings or enter new markets.	Late-stage companies made up about 10-15% of the M&A transactions, reflecting a more cautious approach to selling amid market valuation resets. These deals, while fewer, typically involve larger sums, often exceeding $100 million, driven by private equity interest.
Characteristics	• The average deal size in the seed stage tends to be around $5 million, reflecting the focus on niche technology and talent. • Investors are particularly interested in unique solutions that can be integrated into existing platforms, enhancing competitive advantages.	• The average deal size in this category ranges from $20 million to $100 million, with a focus on companies that demonstrate strong growth metrics and customer retention. • Strategic buyers often seek synergies through these acquisitions, looking to bolster their market share quickly.	• Buyouts in this stage are often led by private equity firms, focusing on companies with proven profitability and robust growth trajectories. • The average deal size can reach up to $500 million, emphasizing the value placed on established SaaS businesses with significant market share.

Source: OBR Partners

Title search: Preparing for an M&A Sale Transaction

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First appeared as part of the conference materials for the
47th Annual Corporate Counsel Institute session
"Preparing for an M&A Sale Transaction "