



MCROCK Industrial Software INDEX

Q4 2024
REPORT

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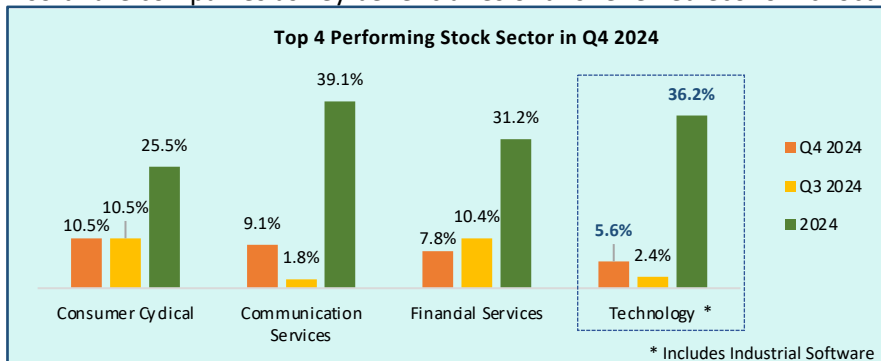
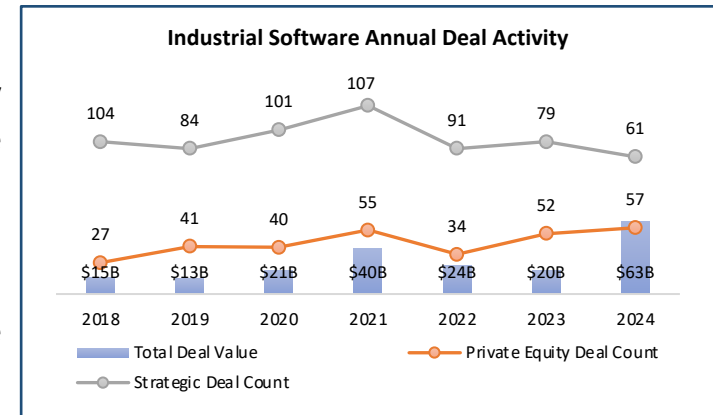
Industrial Software Q4 2024 Market Update

Macro Environment

In Q4 2024, major markets demonstrated resilience amidst evolving economic and political conditions. U.S. equities remained stable as inflation showed signs of moderation, supported by robust consumer spending and cautious monetary easing. The Federal Reserve implemented a 25-basis-point rate cut in November, followed by another in December, bringing the benchmark rate to a range of 4.25%-4.50%. These cuts marked a continuation of the Fed's effort to stabilize growth, balancing a low unemployment rate with incremental progress in reducing inflation. Despite these adjustments, inflation remains above the 2% target, which policymakers now project will not be achieved until 2026.

Key Catalyst

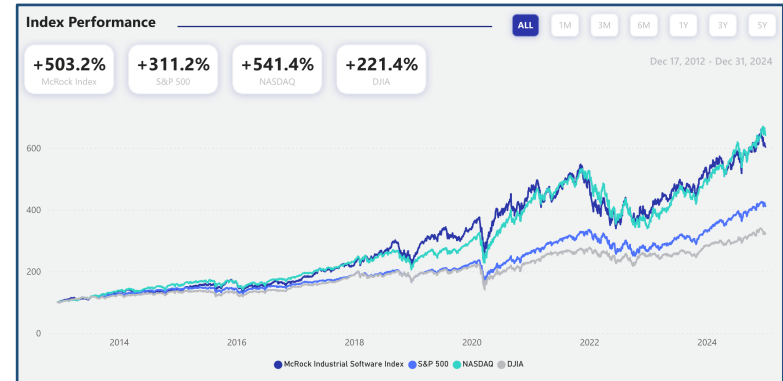
The outcome of the U.S. presidential election, which concluded in early November 2024, significantly influenced market dynamics, sparking optimism among investors. Equity inflows surged to an unprecedented \$140 billion for the month - the largest on record since 2000 - as markets responded to Trump administration's agenda of tax cuts, deregulation, and policies aimed at economic growth. These developments boosted confidence in industrial sectors, particularly those tied to digital transformation and infrastructure, especially favoring industrial software as highlighted in the chart to the right. The promise of reduced regulatory burdens and incentives for modernization positioned industrial software companies as key beneficiaries of this renewed economic focus.



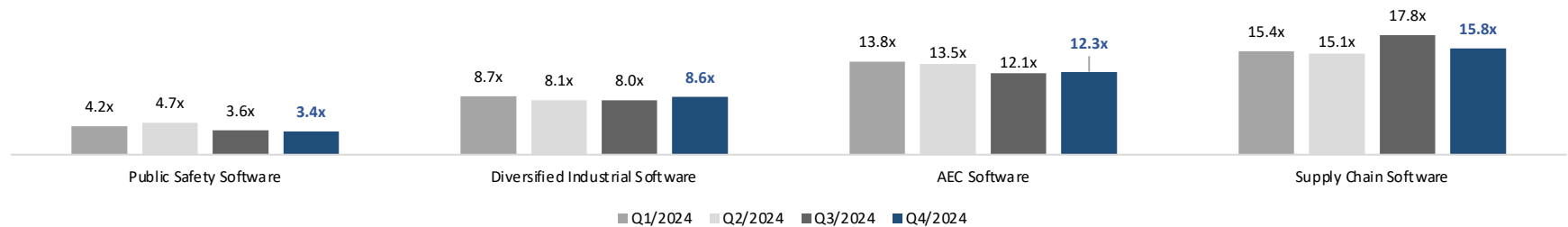
The technology sector more than doubled its return from 2.4% in the previous quarter to 5.6%, placing it second only to Communication Services. This strong performance underscores sustained investor confidence in digital transformation and automation as crucial drivers of efficiency and productivity across industries. Looking ahead, a stable economic environment and growth-oriented policies provide a solid foundation for continued demand in industrial software.

Index Performance and Highlights

- As of Q4 2024, McRock's Industrial Software Index maintained its long-term outperformance of the S&P 500 and DJIA over a 13-year period.
- On a quarterly basis for 2024, the McRock Index delivered a return of +0.5%, aligning closely with the DJIA, while the S&P 500 posted a gain of +2.1% and the NASDAQ outpaced both with a strong performance of +6.2%.
- High-valuation stocks (75th percentile) continued to gain momentum, increasing their valuation multiples from 13.12x to 14.16x (+1.0x).
- Low-valuation stocks (25th percentile) also experienced modest growth, rising their valuation multiples from 7.45x to 8.15x (+0.7x).
- Mid-valuation stocks (50th percentile) contracted, declining their valuation multiples from 11.86x to 10.98x (-0.9x), underscoring growing market preference for high-value companies.
- In Q4, the EV/Revenue Multiple showed growth in Diversified Industrial Software and AEC Software, whereas Supply Chain, though experiencing a decrease, continued to lead as the top sector.



Sub-Category EV/Revenue Multiple (QoQ Change)



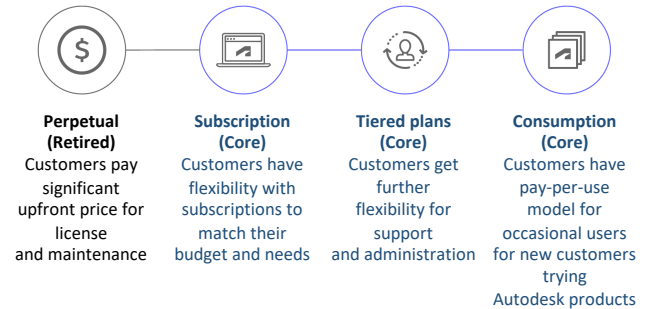
Business Summary

Autodesk, Inc. (Nasdaq: ADSK) is a leading global provider of design software for architects, engineers, and manufacturers. Headquartered in San Francisco, Autodesk empowers innovators to create and transform industries through a portfolio of software and services. The company's offerings are utilized across industries such as architecture, engineering, construction (AEC), product design, manufacturing, and entertainment. Autodesk operates on a subscription-based model, transitioning from perpetual licenses to cloud-centric offerings. Its flagship products include AutoCAD, Revit, Fusion 360, and Maya, which support end-to-end design workflows. The company has been highly active in M&A space throughout 2024.

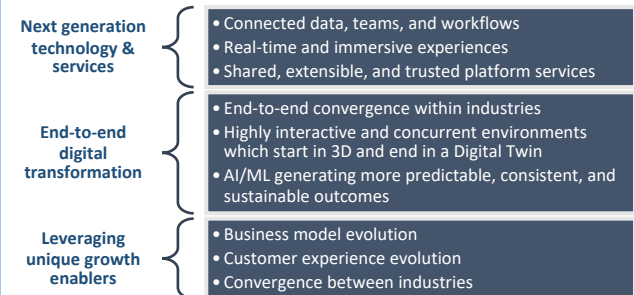
The Company's Industry Expectations

- Cloud and Digital Transformation:** The transition to subscription-based models and cloud-enabled technologies is central to Autodesk's business strategy. These offerings provide device-independent workflows, enabling teams to collaborate seamlessly across geographies and project phases. This shift is designed to meet evolving customer needs and expand market reach.
- Automation and Artificial Intelligence (AI):** Autodesk invests heavily in AI, machine learning, and generative design to enhance automation, reduce waste, and optimize designs. These technologies are expected to play a pivotal role in helping customers achieve efficiency and innovation in their workflows.
- Resilient Construction and Infrastructure Spending:** With governments worldwide increasing infrastructure investments, Autodesk anticipates heightened demand for its AEC tools. This macroeconomic trend is poised to drive growth in BIM and construction technology adoption, further solidifying Autodesk's leadership in the AEC segment

Business Model Evolution: Enable More Customers to Access the Ecosystems



Autodesk's Strategic Focus: Transitioning "From Products to Capabilities"



EV/Annual Revenue	EV/Annual EBITDA	Revenue Growth	Gross Profit Margin	Net Profit Margin	Rule of 40
10.8x	43.8x	11.5%	90.7%	18.3%	29.8%

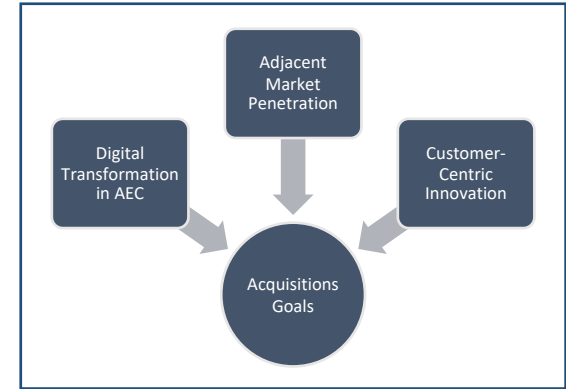
Index Company Spotlight: Autodesk



General Acquisition Strategy

Autodesk's acquisition strategy is centered on accelerating time-to-market for innovative solutions by complementing internal development with targeted acquisitions. This approach prioritizes:

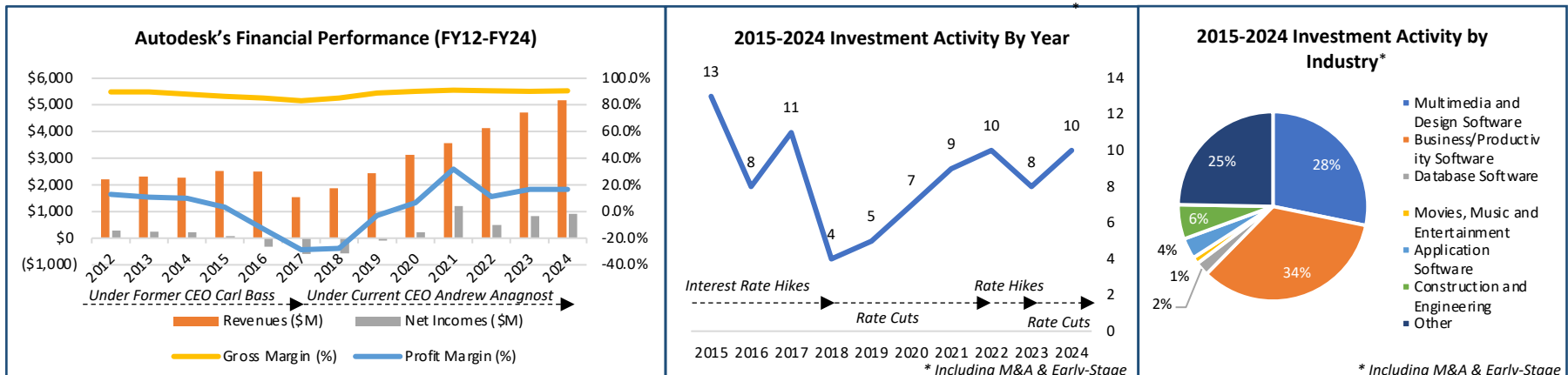
- **Product Enhancement:** Acquisitions aim to expand functionality, integrate cutting-edge technology, and address adjacent verticals.
- **Efficiency Gains:** By leveraging acquisitions, Autodesk reduces development lead times, staying ahead of customer demands.
- **Integration Management:** Autodesk acknowledges the inherent costs and operational complexities of acquisitions but views these as necessary trade-offs to maintain competitive positioning.



Latest 10 M&A Deals with Disclosed Values

 Mar-24, \$266 M Movies, Music and Entertainment	 Feb-24, \$381 M Financial Software	 May-21, \$140 M Multimedia and Design Software	 Mar-21, \$1,040 M Business/Productivity Software	 Nov-20, \$252 M Multimedia and Design Software	 Jan-19, \$253 M Business/Productivity Software	 Dec-18, \$875 M Business/Productivity Software	 Jul-18, \$94 M Multimedia and Design Software	 Nov-15, \$43 M Application Software	 Nov-14, \$60 M Multimedia and Design Software
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More than HALF A BILLION dollars in M&A in 2024.



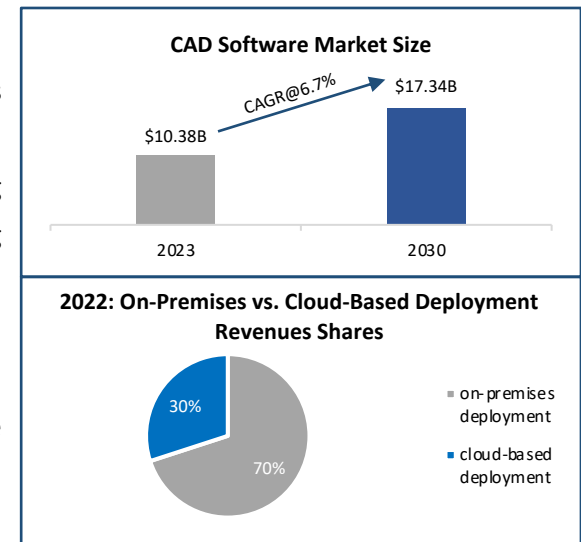
Sector Spotlight: Computer-Aided Design (CAD)

Overview

The global 3D Computer-Aided Design (CAD) software market is experiencing significant growth, driven by technological advancements and increasing demand across various sectors. North America captured over 30% of market revenue in 2022, driven by the adoption of cloud-based solutions, automation in manufacturing, and growth in aerospace and defense.

Market Drivers

- **Cloud-Based Solutions:** The shift towards cloud-based CAD modeling offers enhanced flexibility and collaboration, enabling real-time access and modifications across global teams. This transition is streamlining workflows and reducing the need for substantial on-premises infrastructure.
- **Integration of AI and Machine Learning:** Incorporating artificial intelligence and machine learning into CAD systems is automating complex design tasks, optimizing performance, and providing predictive insights, thereby enhancing design efficiency and innovation.
- **Adoption of Advanced Technologies:** The increasing use of technologies such as 3D printing and virtual reality is influencing the demand for 3D CAD software.
- **Industry-Specific Applications:** Industries such as manufacturing, construction, and engineering are driving the demand for 3D CAD software due to the need for precise and efficient design tools.



Market Forces and Dynamics

Threat of New Entrants: Low	Bargaining Power of Suppliers: Moderate	Bargaining Power of Buyers: High	Threat of Substitutes: Moderate	Industry Rivalry: High
<ul style="list-style-type: none"> • High R&D costs, established brand dominance, and complex technology requirements deter new players. 	<ul style="list-style-type: none"> • Specialized tools and skilled talent give suppliers some leverage, but major players' scale limits their influence. 	<ul style="list-style-type: none"> • Intense competition among providers empowers buyers to demand cost-effective, innovative solutions 	<ul style="list-style-type: none"> • Alternative tools exist but lack the advanced features of 3D CAD software; emerging low-cost options may pose risks. 	<ul style="list-style-type: none"> • Key players aggressively compete through innovation and integration of AI and cloud technologies.

Key Players



Private Market Activities Highlights

Notable Deals Announced

Q4 2024 Notable Deals

Merger, Acquisitions and Buyouts		
Buyer	Target	Price (\$B)
Siemens	Altair	\$ 10.6
Nvidia	Run:AI	\$ 0.7

Financing Transactions		
Investor	Target	Size (\$B)
Insight Partners & Other Investors	DataBricks	\$ 10.0
Amazon	Anthropic	\$ 4.0
General Catalyst & Other Investors	Armis	\$ 0.2

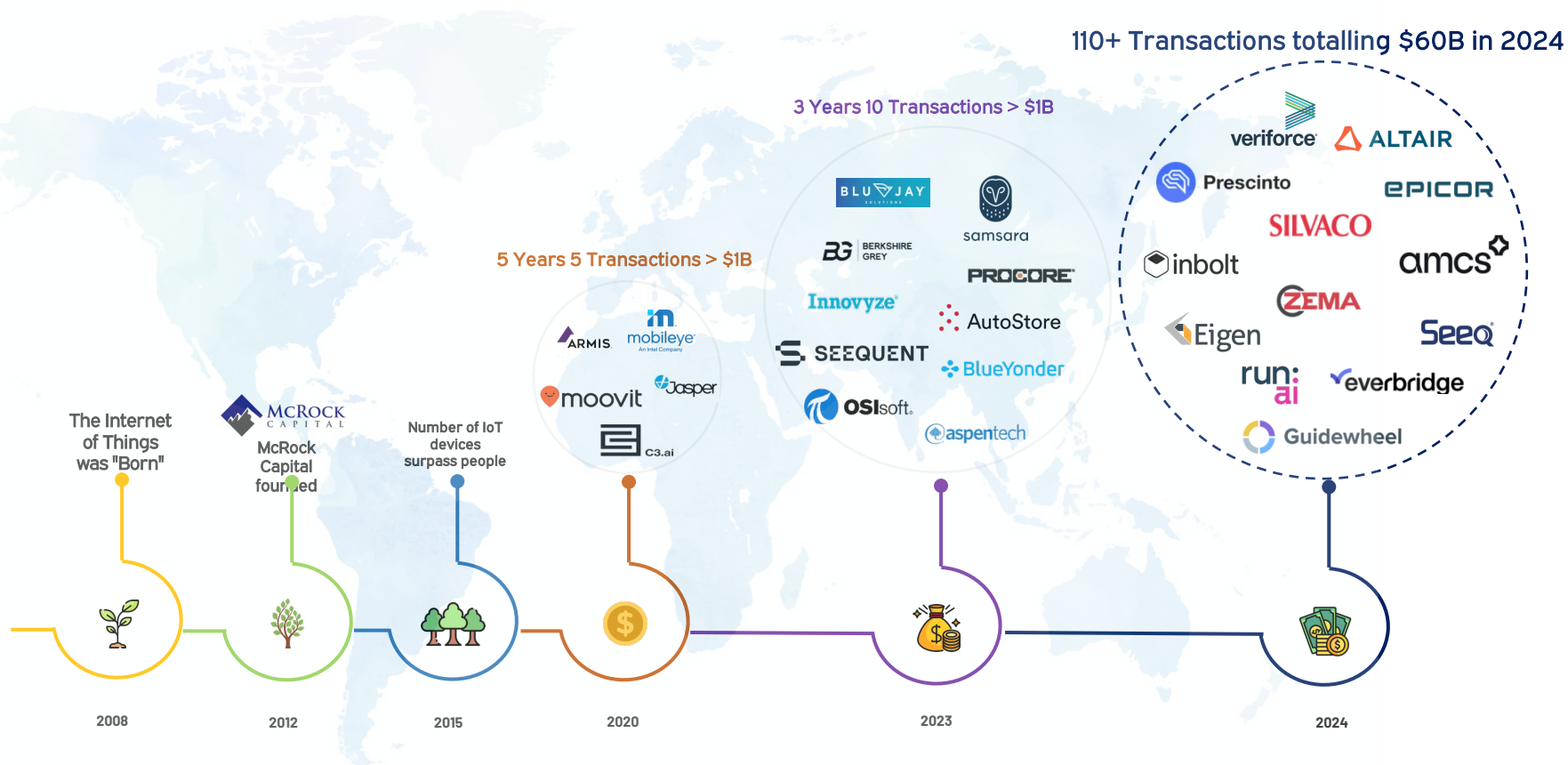
Q1-Q3 2024 Notable Deals

Merger, Acquisitions and Buyouts		
Buyer	Target	Price (\$B)
Synopsys	Ansys	\$ 35.0
Cisco	Splunk	\$ 27.1
Renesas Electronics	Altium	\$ 6.1
EQT Private Equity	Avetta	\$ 3.0
Honeywell	CAES Systems	\$ 1.9
Thoma Bravo	Everbridge	\$ 1.8
Costar Group	Matterport	\$ 1.6
Nemesschek	GoCanvas	\$ 0.7

Financing Transactions		
Investor	Target	Size (\$B)
Vista Equity Partners & Other Investors	Redwood Software	\$ 2.5
Amazon, Nvidia & Other Investors	Scale AI	\$ 1.0
Nvidia & Other Investors	Cohere	\$ 0.5

Large Transaction Volume Tells the Story of a Growing Segment

2024 marks a recent high for Industrial Software, with **61 strategic** and **57 private equity deals** driving a total transaction value of **US\$62.9 Bn**, underscoring the sector's strong momentum.



McRock Capital – Industrial Software Pioneer



McRock Capital is the first dedicated Digital Industrial venture capital fund manager focused on the intersection of data and software in large industrial markets and smart cities.

McRock's history of trailblazing in industrial technology started over 10 years ago with Fund I having been the first Industrial IoT VC fund.

Today, the funds invest in Industrial Software across North America, Europe, and Israel. The McRock team has a unique background of building high-growth Industrial SaaS companies while having deep domain experience in the power, water, and oil and gas industries.

Our Investors

Backed by world class corporate and institutional investors including:



Our Portfolio



To contact the
McRock Capital team,
please email
deals@mcrockcapital.com