Grant Thornton

Unlocking value

Navigating funding and exit strategies in technology businesses

May 2025

Executive summary

Australia's technology and SaaS sector is rapidly evolving, driven by shifting capital dynamics, changing investor expectations, and an increasing demand for sustainable, scalable business models. As founders, CFOs, and Boards shift from early-stage growth to long-term strategy, they must navigate new funding pathways, effectively manage investor expectations, and build a business that's resilient, scalable, and investment-ready.

This report delves into the critical decisions leaders face as they scale, from determining the best timing and method for raising capital, to maximising value in a competitive landscape. While private equity (PE), Initial Public Offerings (IPOs), and divestments remain key exit strategies, investor expectations are rising. Metrics such as Annual Recurring Revenue (ARR) and customer retention are just the baseline.

Investors are looking for strong fundamentals, a clear path to profitability, and a compelling business story that demonstrates long-term potential. Other indicators like a solid Rule of 40 score, market fit, valuable intellectual property, and an effective leadership team remain essential; but it's a clear, credible plan for long-term, profitable growth that sets businesses apart.

Whether you are preparing to raise capital or positioning for a transaction, preparation is key. Our team is dedicated to supporting technology leaders throughout this journey, helping you understand the landscape, where you want to go, and how to get there. From refining your business narrative to preparing essential documentation, we offer insights, structure, and deep industry experience to ensure you take this next step with confidence.

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The current market landscape

Australia has a vibrant technology sector, with the software market projected to reach US$12.44b in 2025[1]. The journey from startup to scale-up presents significant challenges for founders – from developing a Minimum Viable Product (MVP) and securing customers, to building teams and driving growth, but one of the most pressing concerns is financing.

As companies mature, the funding landscape broadens. Early stages often rely on personal savings, support from friends and family, or angel investors. Seed funding and venture capital help accelerate growth and product development.

For more established software businesses – those with proven traction, strong recurring revenue, and ambitions for the next chapter – financing conversations shift toward realising value through a partial or full sale. Strategic options like PE, IPOs or divestment come into play. These pathways offer more than just capital. They create opportunities for transformation, expansion, and exit.

While early-stage funding tends to dominate headlines, it's this next stage of growth where the stakes are higher and decisions more complex. Understanding when to raise, who to raise from, and how to prepare the business for external assessment is essential.

Funding options over the lifetime of a business

Bootstrapping
Funding the business through personal savings or initial sales revenue.

Friends and family
Raising capital from close contacts.

Angel investors
Securing investment from affluent individuals.

Seed funding
Obtaining early-stage funding to support product development and market research.

Venture capital
Receiving investment from venture capital firms to scale the business.

Private equity
Attracting investment from PE firms for further growth and expansion.

Divestment
Selling the company to another business or entity.

Initial Public Offering
Listing shares to the general public through a stock exchange.

1 Statista.com

Making your business attractive to investors

To stand out in a competitive landscape and attract the right investors, technology companies must focus on key metrics and strategic insights. This process involves more than just presenting numbers; it's about showcasing your unique value proposition.

Whether you're considering PE investment, an IPO, or a full divestment, understanding what drives investor interest is essential. By optimising these areas, you can enhance your company's appeal, maximise its value, and improve the chances of a successful transaction.

Demonstrating growth through revenue metrics

Strong revenue performance is more than just numbers – it's the story that tells investors about your business's potential. Consider these critical elements:

- **Annual Recurring Revenue (ARR):** ARR is a crucial metric for software companies, representing the recurring revenue generated from subscription-based services. High ARR signifies stability and predictable revenue stream, increasing investor appeal. Maximising ARR is essential to driving long-term value.
- **Revenue Growth Rates:** Consistent and high revenue growth rates are a sign of a company's ability to scale and expand, highlighting strong growth trajectories in your reporting.
- **Bookings vs. revenue:** It's crucial to differentiate between bookings (value of signed contracts) and revenue (earned income). Clear distinctions help investors understand your cash flow dynamics. Demonstrating growth in both bookings and revenue enhances your software business's appeal.
- **Customer retention:** High customer retention rates indicate success in maintaining your customer base, which is essential for long-term growth and demonstrates an ability to upsell and cross-sell products. Companies with strong customer retention are more likely to attract buyers as they demonstrate customer satisfaction and loyalty.
- **Customer concentration:** Review your revenue sources to mitigate risks aligned to dependency on major customers. Investors prefer a well-diversified customer base, so segmenting revenue by customer, region, product and cohorts is important.
- **Backlog and pipeline:** A healthy sales pipeline indicates future revenue potential. Companies with a robust backlog are more attractive to investors as they demonstrate ongoing growth prospects.
- **Lifetime Value (LTV):** LTV measures the total revenue a company can expect from a customer over their entire relationship. High LTV indicates strong customer relationships and potential for long-term profitability, making your company a more appealing investment.
- **Pricing strategy:** Investors will consider how pricing has evolved over time and your capacity for future increases. A well-defined pricing strategy can significantly impact revenue growth and overall profitability.

Showing discipline through profit margins

High gross profit margins are particularly appealing to investors in the software sector. Aim for margins of 80–90 per cent or higher to enhance your attractiveness:

- **Margins by product:** Accurate calculations of gross profit (revenue minus cost of services) are essential. Understanding individual product profitability is crucial, as high-margin products significantly contribute to overall financial health.
- **Utilisation:** Efficient resource utilisation, in particular optimising personnel and technology, is essential for cost management. Companies that effectively utilise resources are more likely to attract buyers, demonstrating operational efficiency.
- **Customer Acquisition Cost (CAC):** CAC measures the cost of acquiring a new customer. Low CAC indicates efficient marketing and sales strategies, making your company more attractive to buyers. Ideally, earnings per customer should exceed CAC to generate long-term growth.

Profitability reflecting maturity

Investors' perspectives on profitability vary. Some are satisfied with basic profitability, while others have higher thresholds. Demonstrating a clear path to increased profitability is key.

- **EBITDA margins:** High EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) margins indicate strong financial performance, making your company more attractive to buyers. This metric serves as an indicator of financial health.
- **Rule of 40:** This key metric combines revenue growth rate and profit margin. A score of 40 per cent or higher is appealing to investors focused on both growth potential and profitability.
- **Profitability focus:** As companies mature, a greater emphasis on profitability becomes essential. While early-stage growth is important, demonstrating customer loyalty and profit optimisation once revenue is stable becomes vital.
- **Cash EBITDA:** Presenting EBITDA on a billings or cash basis – factoring in changes in deferred revenue – is a key consideration for assessing earnings quality or financial modeling accuracy. This approach clarifies a company's true growth trajectory, especially for those with upfront billings that may take time to reflect in the profit and loss statement.

What else matters

Beyond financials, investors also assess the following:

- **Growth potential:** Understanding your Total Addressable Market (TAM) is crucial. Targeting niche verticals rather than a horizontal market is generally more attractive to investors because of the potential to own a niche vertical rather than compete against global tech giants. Additionally, the ability to add new products and cross-sell is highly attractive to investors.
- **Market fit:** Customer feedback is vital in demonstrating product market fit. Investors want to know how mission-critical the product is and the cost versus the overall cost base for the customer.
- **Scalability:** The ability to scale operations and grow rapidly is a key factor for software companies. Buyers are more likely to invest in companies that have scalable company models and can expand efficiently.
- **Skilled founder and/or management team:** An exceptional founder and management team is a significant asset, alongside clean financial statements and well-tracked revenue. Investors seek proactive, hands-on, and capable leaders with strong sector knowledge and commercial acumen, who can demonstrate their ability to lead, sell their vision, and attract top talent.
- **Quality intellectual property (IP) and technology:** Owning robust IP is fundamental to your business's value. Investors and acquirers will typically undertake technology due diligence, to ensure there is no tech debt and the tech is scalable, or to factor in any further technology redevelopment costs into valuation.
- **Proven track record of acquisitions:** A history of successful acquisitions demonstrates your ability to integrate and grow through strategic acquisitions, enhancing attractiveness to buyers.
- **Free cash flows:** Free cash flow is the cash generated by a company after accounting for capital expenditures. Strong free cash flows indicate financial stability and the ability to reinvest in growth opportunities. Highlighting cash reserves and burn rates can further attract investor interest.
- **Software development capital expenditure:** Continual investment in software development is crucial for innovation and staying competitive. Allocating sufficient capital to software development is more likely to attract buyers as it demonstrates a business commitment to growth and innovation. Companies must accurately distinguish between capex and expenses.

What next?

Preparing for investment or a transaction is more than a financial exercise, it's a shift in your strategic objectives. For help reviewing your investor readiness, optimising operations, and building a compelling equity story, we can help position your business for successful outcomes – whether that's raising capital, conducting a valuation, or guiding you through your next growth move.

Funding options for growth and exit

As technology businesses scale, leaders must evaluate the next phase of their journey – whether to pursue further growth, focus on return on investment, or bring in strategic partners. Funding options such as private equity, IPOs, or full divestments can provide capital and support, but each option brings its own implications for ownership, control, and future direction.

Here's a closer look at each of the major options to support your decision-making:

Private Equity

The Australian PE sector has grown significantly, expanding by over 130 per cent in the past decade, from $28.5b Assets Under Management in 2014 to $65.9b in 2024[2]. In Australia, many PE firms invest in businesses across a broad range of market segments including technology and there are also a limited number of PE firms who have a specialist focus in investing in technology businesses. Typically, in the mid-market, PE investors provide growth capital in a partnership style transaction, investing and growing businesses over a 3–5 year timeframe.

Key features

- PE firms typically look to invest a 40-60 per cent stake in the business, with varying investment criteria.
- Partner with existing shareholders and management to fast track the growth of the business.
- High focus on growth, to achieve strong returns before exiting, typically in a 3-5 year timeframe.

Key benefits

- Access to capital for growth and expansion.
- Opportunity for shareholders to de-risk by taking 'money off the table', to diversify wealth.
- A strategic business partner to support growth opportunities including acquisitions.
- Access to deep expertise in operational and strategic business practices to increase profitability and facilitate scaling.
- Opportunity to significantly increase business value and fast-track scaling.

Other considerations

- Selling to a PE-backed business combines many of the benefits of a sale to a strategic investor with the benefits of PE investment.
- PE investors will plan their exit before investment. Often other shareholders, including founders, will exit their remaining shareholdings as PE exits.
- Bringing in an external partner who has a say in key business decisions can be a big adjustment for founders. Ensuring alignment of vision, values and governance is critical.

2 ASIC, Australia's Evolving Capital Markets: a discussion paper on the dynamics between public and private markets, February 2025

IPO

While IPOs have been a popular option for scaling successful software businesses, market conditions in Australia have been challenging in recent years. In 2024, only 67 listings raised a total of $4.1b[3], below the 5-year average of $4.9b, with one listing alone, Digico Infrastructure REIT, accounting for nearly half the capital raised.

Key features

- An IPO involves raising growth capital and/or shareholder sell down, to bring in external investors and create liquidity in the shares post-IPO.
- Public listings require strong investor appeal and favourable market conditions.
- A business needs to meet the regulatory criteria for listing, including minimum size thresholds and shareholder spread.

Key benefits

- Access to capital for growth and expansion.
- Opportunity for shareholders to de-risk by taking 'money off the table' to diversify wealth.
- Increased profile and credibility with customers, employees and other stakeholders as a listed company.
- Ability to use shares to fund acquisitions.
- Potential to access cheaper debt funding for growth, with a reduced risk profile to banks.

Other considerations

- Timing is crucial. A successful IPO is dependent on market conditions, which can change suddenly. Preparation costs are high relative to other transaction types, so embarking on an IPO process can incur significant costs with an uncertain outcome.
- Once listed, corporate overheads are likely to be significantly higher, with costs of a full board, stock exchange fees, registry fees and increased risk and compliance functions.
- Key shareholders typically face exit restrictions and are unlikely to be able to sell completely for years post IPO.
- Continuous disclosure regulations require more detailed public disclosure of corporate activities than for a private company.

3 https://www.asx.com.au/blog/listed-at-asx/asx-capital-markets-2024-review-and-2025-outlook

Divestment

Many technology company founders start their businesses with a full or partial exit as the end goal. Building value of the business and positioning it to be as attractive as possible to future investors becomes more important as the business grows.

Selling the business to a strategic buyer, especially in a global market hungry for innovative Australian tech, can be a highly rewarding outcome. In recent years, international acquirers have paid the highest multiples for well-positioned software businesses.

Key features

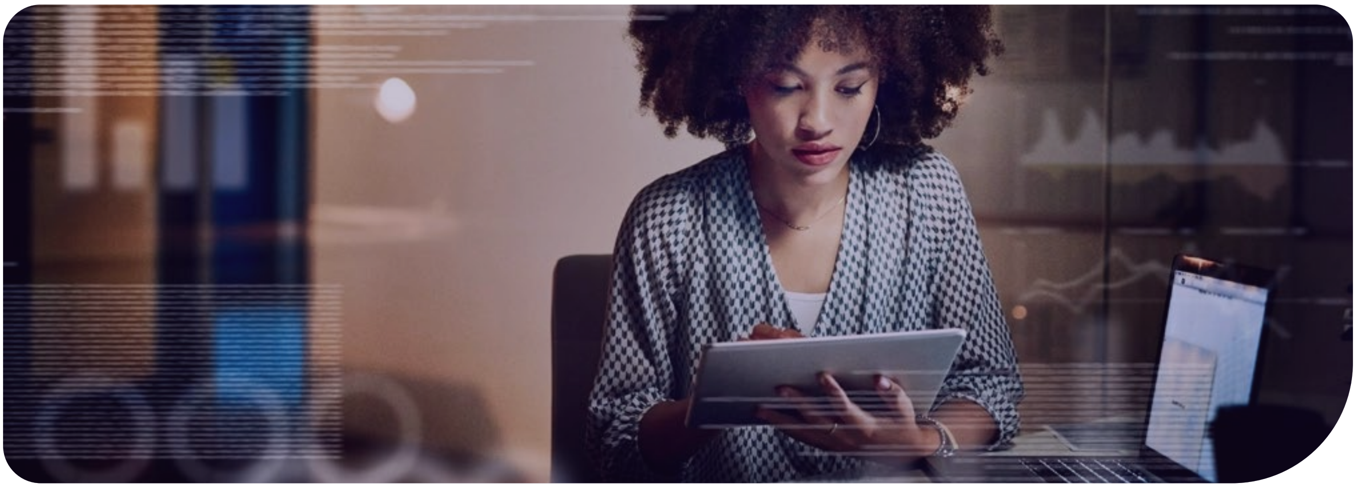
- Typically involves the sale of 100 per cent of shares to another technology company.
- Key management team members are often required to stay for a transition period or may be offered permanent roles in the broader business.

Key benefits

- Shareholders receive value for their shares in the business and realise a return on their investment.
- A sale to a strategic investor may result in premium valuation, compared to other exit options, due to potential synergies.
- A sale to a larger competitor typically provides additional growth opportunities for the business and its employees.

Other considerations

- The sale process can be time-consuming and distracting. Preparation is essential to minimise disruption.
- Selecting an acquirer that is a strong cultural fit helps ensure a smooth transition.
- The businesses may be absorbed into the broader acquirer group, or may continue to operate as a distinct division. The brand may be continued or may be transitioned over time.
- Consider your personal and financial plans post-sale, including reinvestment opportunities.



Preparing for a transaction process

Whether you're considering a partial exit to a PE investor, an IPO or a full divestment, being prepared for the process is critical. A well-prepared business is more likely to attract quality investors or buyers, maximise value and ensure a soother, more successful transaction process.

1. Define clear objectives

Start by identifying your goals for the transaction. These may include:

- maximising valuation,
- raising growth capital to accelerate expansion,
- bringing in strategic or operational expertise,
- accessing broader customers bases or markets, or
- achieving personal financial goals.

Understanding your priorities will shape the right path forward.

2. Assemble the right team

Engage experienced advisers across M&A, financial, legal and tax disciplines – with strong experience in technology sector transactions. Your advisory team will play a key role in preparing your business, identifying potential issues early, and guiding you through the entire transaction process.

In addition, consider including advisers who specialise in tax governance, regulatory compliance, Environmental, Social, and Governance (ESG) and sustainability to ensure all potential areas of concern are covered before entering the due diligence phase.

3. Get your house in order

Invest time in preparing your business for investor scrutiny. Areas to review include:

- **Financial reporting and accounting practices:** Increase the quality, accuracy and timeliness of monthly financial reporting, including reviewing revenue recognition and other key accounting treatments. Investors will expect robust financial reporting that goes beyond just numbers, providing visibility on key metrics and addressing potential business risks.
- **Forecasting:** Prepare robust financial forecasts linked to your sales pipeline data. Ensure that these forecasts are realistic and supported by historical data, as investors will want to see well-substantiated financial projections.
- **Governance:** Address any non-compliance with tax or other regulations. Strong internal controls and governance frameworks are critical, particularly in corporate governance and tax compliance. Investors will expect clear documentation on decision-making processes, risk management, and how day-to-day operations align with long-term strategic goals.
- **Legal documentation:** Review legal contracts for any areas to be tightened, particularly concerning shareholder rights, IP, and compliance with relevant regulations.
- **Internal readiness:** Agree which leaders will be involved in the transaction process, and who will focus on maintaining strong business performance. Leadership alignment is key to demonstrating management's capacity to deliver on growth potential post-transaction.
- **Shareholder structure and tax planning:** Reviewing your structure early and undertake tax planning to ensure your structure is optimised, and identifying any potential tax risks that might arise during the deal. Consider whether to sell assets or shares, as each has different commercial and tax implications. Investors typically prefer corporate structures over trust structures, particularly for non-resident investors. Early tax planning, including exploring tax rollovers, can help mitigate complications and enhance the deal's efficiency. Proper structure and tax risk assessment will also ensure you only sell the assets you intend to.
- **ESG and sustainability:** Sustainability and ESG compliance is increasingly important to investors, customers, and suppliers, with many requiring businesses to meet specific criteria. Engage with experts early to establish a robust approach and clear documentation, ensuring you meet both current and future obligations. Showing proactivity in this area can improve investor confidence, and therefore attract better investment during the transaction process.

4. Preparing for due diligence

Extensive due diligence is a core part of any transaction. Being well-prepared is crucial to stay in control of the process, present your business with confidence and maximise transaction value. Focus on:

- **Commercial:** Conduct market assessments, perform mystery shopping, and gather insights through customer interviews to demonstrate your market positioning.
- **Financial:** Review the quality of earnings, check the accounting treatment of key items like revenue, verify revenue recognition, recalculate key metrics, and benchmark performance. Also, assess any normalisation adjustments and evaluate net debt and working capital to optimise net cash proceeds for shareholders. Clear, accurate, and timely performance and financial reporting can reduce deal time and transaction risk. Be prepared to articulate the financial data and qualitative success factors, such as customer retention and risks around concentrated customer bases.
- **Tax:** Ensure thorough review of tax compliance, controls, and processes. Identify key risks and any unrecorded liabilities that could impact valuation. A proactive tax health check or vendor tax due diligence review can help uncover potential risks before the process begins, such as incorrect tax depreciation, or misapplied tax consolidation rules.
- **Legal:** Examine IP protection, review essential contracts including customer agreements and employment terms, and assess the status of any ongoing litigation.
- **Technology:** Assess the scalability of your tech stack, identify any tech debt, and evaluate cyber security measures, including penetration testing.
- **Management:** Prepare for management due diligence which will evaluate capabilities, strengths, weaknesses, growth mindset, risk appetite, and alignment with the investor's strategic vision. Identify any gaps and consider key elements of cultural fit with a potential investor/acquirer. A strong management team with the right skill set and alignment with investor goals is crucial. Consider highlighting any successful leadership initiatives, as these can positively impact investor perceptions.

Next steps for technology businesses

To position your company for a successful future, taking proactive steps now will pay off in the long run. Start by clearly defining your transaction objectives and assembling a strong advisory team with expertise in SaaS and broader technology transactions.

In addition, ensure your business operations are ready for questions by enhancing financial reporting, tightening legal documentation, and ensuring compliance across all areas. By doing this, you will not only increase your attractiveness to potential investors but also lay the groundwork for sustainable growth.

Our team is here to support you at every stage of this journey. We can help you refine your strategy, prepare for due diligence, navigate the complexities of securing funding or executing a successful exit, and more. Reach out to our team to discuss how we can help you unlock the full potential of your business and prepare you for the next chapter.

Your business deserves remarkable support

At Grant Thornton, care is just as important as capability – and your experience is as important as the outcome. By caring for our people, clients and communities we provide a strikingly different experience, built on our values, with client service at the forefront.

Grant Thornton Australia is a member firm of the Grant Thornton global network – one of the world's leading, independently-owned and managed accounting and consulting firms. Our global structure spans every major business region in the world.

We have the scale to meet your changing needs – while retaining the agility required to keep you one step ahead. In Australia, we now have over 1,500+ people across five states, each with the freedom to drive change and advocate for our clients.

With our values at the core, we seek out diverse perspectives and challenge established practice when necessary to deliver positive progress for your business. Our commitment to our brand promise, Reach for Remarkable, is delivered through proven expertise, principled execution, and personalised experience. No matter your industry, business lifecycle stage, market or growth plans, our experienced professionals are dedicated to achieving the best outcome for you and your stakeholders.

Helping technology businesses and investors navigate what's next

We work closely with technology businesses and investors navigating a fast-moving and highly competitive market. Whether you're scaling a SaaS platform, investing in the digital economy, or preparing for a transaction, we help you stay ahead of disruption and unlock new value.

Our team brings deep sector knowledge across software, fintech, media, and telecommunications – supporting clients through capital raises, strategic growth, and risk management. From cyber resilience and IP structuring to investor readiness and exit planning, we provide practical advice grounded in commercial reality.

Find out more

PEOPLE NATIONALLY

1,500+

NATIONAL REVENUE (AUD)

$370m

PARTNERS NATIONALLY

172

OFFICES NATIONWIDE

6

PEOPLE GLOBALLY

68,000+

GLOBAL REVENUE (USD)

$7.2b

OFFICES GLOBALLY

750+

MARKETS

145+

We would like to acknowledge and thank the investors who provided their insights in the preparation of this report.

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The terms we use
Language is a powerful tool. No single set of definitions can describe how every person experiences life, or how they define themselves. We acknowledge the diversity of self-identity and intersectionality, particularly within gender, culture, sexual orientation, disability and First Nations language groups. It is always our intention to be inclusive and respectful and we acknowledge that not everyone will identify with the terms we have chosen.

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