SILVERPEAK

M&A + Financing Advice

Software M&A Activity Research Report

JULY 2023

A review of software M&A deals with European and North American targets

MARKET RECOVERY DRIVEN BY MEGA DEALS

> Total software M&A **deal value nearly doubled since Q4-22**, following the dramatic drop off in Q3-22 as activity normalises to pre-2021 levels

> **Deals under $1bn in value make up less than 13% of the total transaction values** in Q2-23, having not seen any growth since the tech sell-off

> **The US leads the charge in mega deals,** with all deals over $10bn in H1-23 occurring in the US

> Following the drop in multiples in Q1-23, the market has seen **multiple expansion in Q2-23**: EV/EBITDA +7.3x QoQ, and EV/Revenue + 1.1x QoQ

> After an increase of PE-led transactions over 2019-20, the share of **PE and PE-backed acquirers** has stabilised around 50%, with **strategic buyers** taking the rest

> North America still remains the most active buyer of EU targets, (60% since 2019). **Europe has increased its share of buying EU targets in H1-23**

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In the first half of 2023, winds of recovery starting in the US, have spread to Europe. Funds remain cautious but still look to deploy capital. High-quality assets are seeing good tractions and attractive multiples.

Pietro Strada
MANAGING PARTNER

Silverpeak leverages multiple databases to create proprietary insights

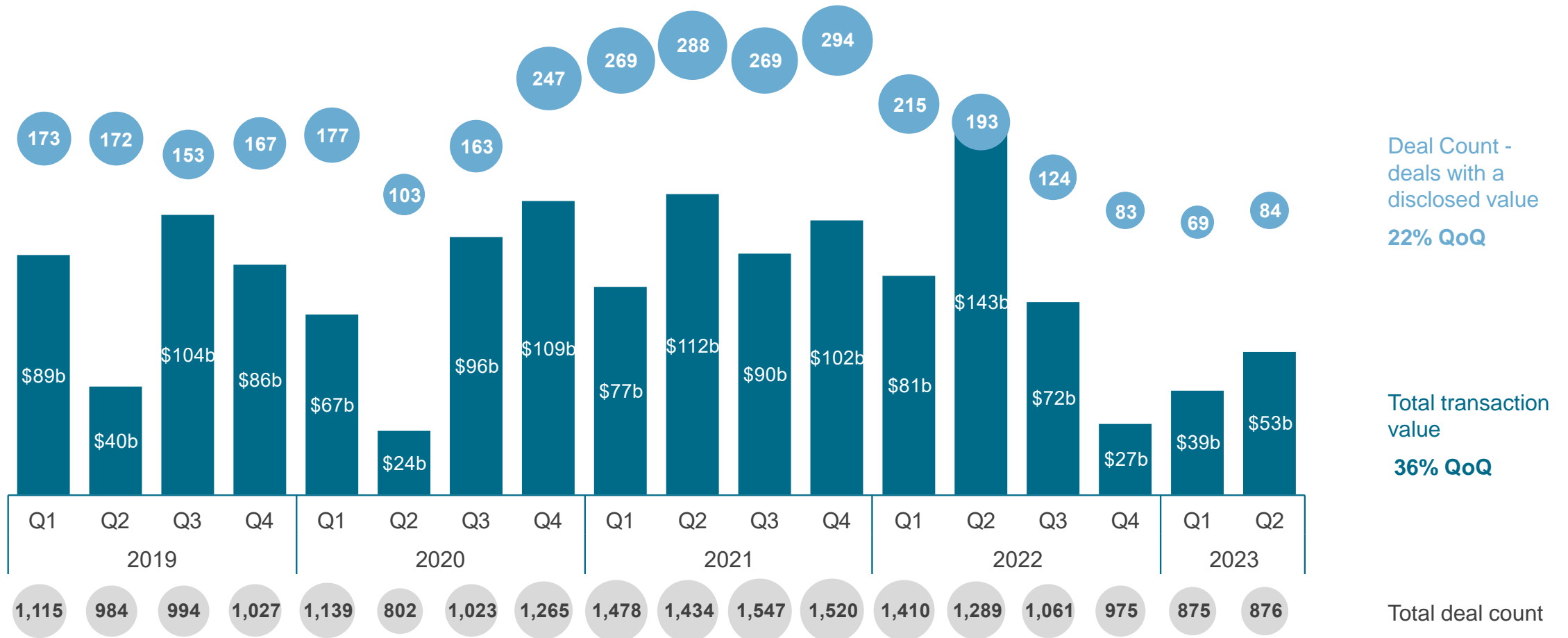METHODOLOGY – BUILDING A COMPREHENSIVE SOFTWARE M&A TRANSACTION DATABASE

Illustrative logos

1 **Define**

We started defining the scope of the analysis, selecting **M&A transactions** of **North American and European headquartered companies** within the **software** industry, **since 2019**

2 **Sourcing**

We **assessed multiple data sources** as to how well they highlighted software transactions and how much overlap there was across the datasets. We then **included and merged the best datasets**

3 **Combine**

Having **employed** best-in-class databases

We **cleaned** the outputs for any duplicates and errors within the datasets

Before **combining** all the outputs into one highly comprehensive dataset

4 **Analyse**

Over 20,000 unique deals are analysed and broken down based on: **size, geography, buyer type, buyer location, etc**

PitchBook. crunchbase

dealroom.co S&P CAPITAL IQ

REFINITIV Mergermarket

SILVERPEAK

Proprietary dataset

European and North American M&A continued to gradually recover in Q2-23...

SOFTWARE M&A TOTAL TRANSACTION VALUE AND DEAL COUNT, 2019 – Q2 2023

Deal Count - deals with a disclosed value
22% QoQ

Total transaction value
36% QoQ

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Deal Count	173	172	153	167	177	103	163	247	269	288	269	294	215	193	124	83	69	84	
Transaction value	$89b	$40b	$104b	$86b	$67b	$24b	$96b	$109b	$77b	$112b	$90b	$102b	$81b	$143b	$72b	$27b	$39b	$53b	
	2019				2020				2021				2022				2023		
Total deal count	1,115	984	994	1,027	1,139	802	1,023	1,265	1,478	1,434	1,547	1,520	1,410	1,289	1,061	975	875	876	

Source: CapitalIQ, Pitchbook. Only deals greater than $5m shown here. $ values shown are implied EV. Data as of 30/06/2023

… recovery in total deal value driven by large deals vs more deals

M&A TOTAL TRANSACTION VALUE, DEAL BREAKDOWN 2019 – Q2 2023

Deals over $10bn: 2, 1, 4, 1, 1, —, 2, 3, 2, 1, 2, 2, 2, 2, 2, —, 1, 1

Deals between $1bn and $10bn: 6, 3, 7, 15, 12, 6, 13, 13, 21, 18, 19, 17, 11, 10, 7, 8, 9, 10

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Deals over $10bn	$56b	$16b	$72b	$22b	$13b		$23b	$48b		$31b	$12b	$31b	$27b	$84b	$32b		$11b	$11b
Deals between $1bn and $10bn	$12b	$8b	$17b	$46b	$37b	$16b	$54b	$38b	$49b	$47b	$48b	$42b	$35b	$42b	$30b	$19b	$20b	$36b
Deals under $1bn	$20b	$16b	$14b	$18b	$17b	$7b	$19b	$23b	$29b	$34b	$30b	$29b	$20b	$17b	$10b	$8b	$8b	$7b
	2019				**2020**				**2021**				**2022**				**2023**	

Deals under $1bn: 165, 168, 142, 151, 164, 97, 148, 230, 248, 268, 249, 275, 202, 181, 115, 75, 59, 73

Source: CapitalIQ, Pitchbook. Only deals greater than $5m shown here. $ values shown are implied EV. Data as of 30/06/2023

5

US market first to open up to mega deals, driven by financial investors

LARGEST M&A TRANSACTIONS IN H1 2023 BY GEOGRAPHY

TOP 5 DEALS IN EUROPE

🇩🇰 **SimCorp**	>	DEUTSCHE BÖRSE GROUP	$4,442m
FINANCIAL SOFTWARE	27th Apr		
🇩🇪 **software AG**	>	SILVER LAKE	$2,858m
SYSTEMS SOFTWARE	21st Apr		
🇬🇧 **kape**	>	Unikmind Holdings	$1,647m
CYBER SECURITY	13th Mar		
🇬🇧 **Reward Gateway**	>	Edenred	$1,436m
HCM SOFTWARE	16th May		
➕ **ROVIO**	>	SEGASammy	$622m
ENTERTAINMENT SOFTWARE	17th Apr		

TOP 5 DEALS IN NORTH AMERICA

🇺🇸 **qualtrics XM**	>	CPP Investments / SILVER LAKE	$10,901m
ENTERPRISE SOFTWARE	12th Mar		
🇺🇸 **Adenza**	>	Nasdaq	$10,071m
APPLICATION SOFTWARE	9th Jun		
🇺🇸 **ni**	>	EMERSON	$6,881m
INSTRUMENTATION SOFTWARE	12th Apr		
🇺🇸 **vezbi**	>	WPF HOLDINGS	$4,770m
SOCIAL PLATFORM	30th Jan		
🇺🇸 **APPTIO**	>	IBM	$4,600m
APPLICATION SOFTWARE	26th Jun		

Market recovery translates into multiple expansion

MEDIAN VALUATION MULTIPLES OF M&A TRANSACTIONS, 2019 – Q2 2023
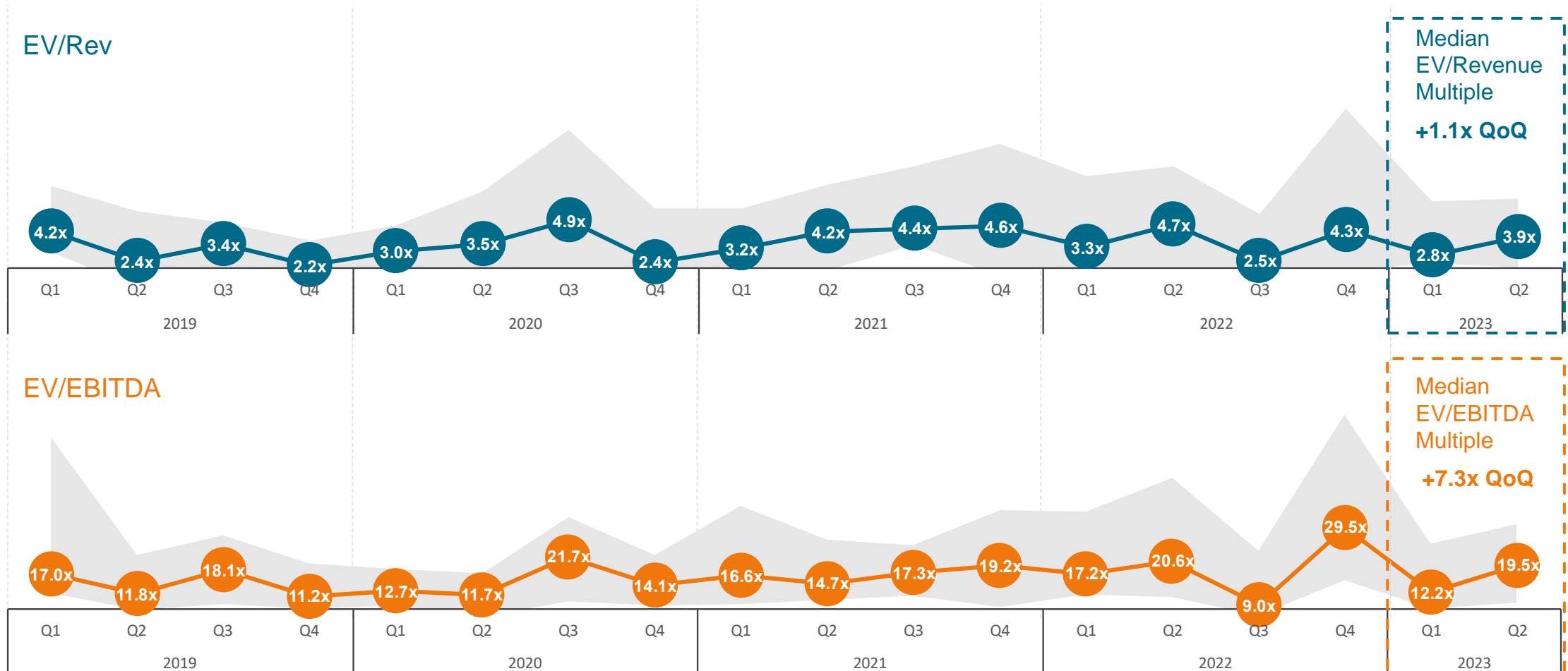
EV/Rev

|																		
4.2x	2.4x	3.4x	2.2x	3.0x	3.5x	4.9x	2.4x	3.2x	4.2x	4.4x	4.6x	3.3x	4.7x	2.5x	4.3x	2.8x	3.9x

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | |

Median EV/Revenue Multiple

+1.1x QoQ

EV/EBITDA

17.0x	11.8x	18.1x	11.2x	12.7x	11.7x	21.7x	14.1x	16.6x	14.7x	17.3x	19.2x	17.2x	20.6x	9.0x	29.5x	12.2x	19.5x

| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| 2019 | | | | 2020 | | | | 2021 | | | | 2022 | | | | 2023 | |

Median EV/EBITDA Multiple

+7.3x QoQ

Shaded regions denote 25th to 75th percentile

PE vs Strategic transactions has equalised in the software M&A market

DEAL COUNT BY BUYER TYPE: STRATEGIC, PE OR PE BACKED DEALS
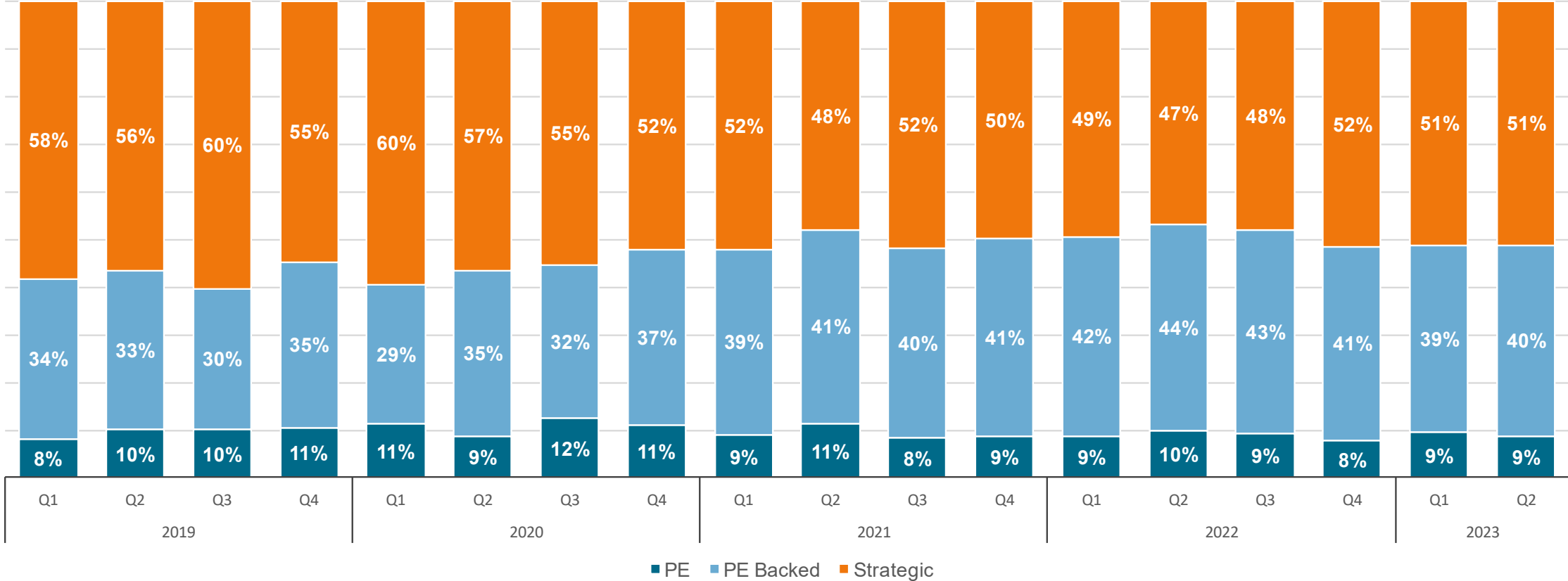
Source: CapitalIQ.
Note: Smaller data set of 11,336 transactions from CapitalIQ used – no minimum deal size.

Largest European targets go to US buyers: their share of $ > their share of

M&A TRANSACTIONS BY DEAL COUNT AND DEAL VALUE FOR TARGET/BUYER GEOGRAPHIES, 2019 – Q2 2023

European & North American software targets

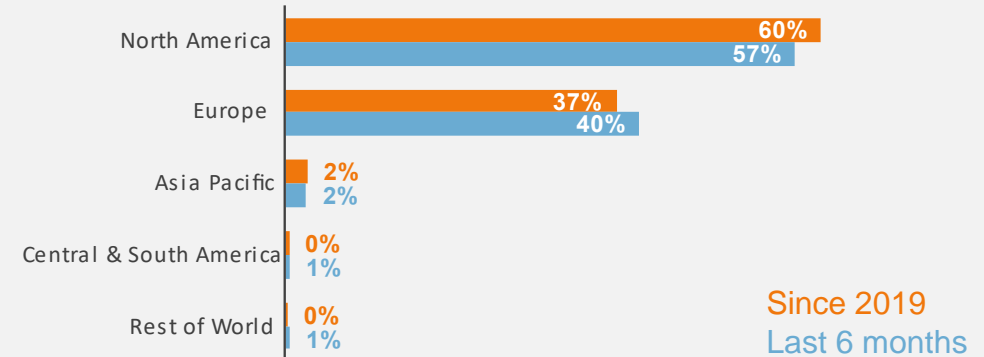Deal count by location of **target's headquarters** (#):

North America	Europe
11,250	9,564

Deal value by location of **target's headquarters**:

North America	Europe
$1,066b	$348b

Buyers of European targets

Share of # of deals by location of **buyer's headquarters** :

	Since 2019	Last 6 months
North America	60%	57%
Europe	37%	40%
Asia Pacific	2%	2%
Central & South America	0%	1%
Rest of World	0%	1%

Share of deal value by location of **buyer's headquarters** :

	Since 2019	Last 6 months
North America	79%	82%
Europe	16%	16%
Asia Pacific	3%	2%
Central & South America	1%	0%
Rest of World	1%	0%
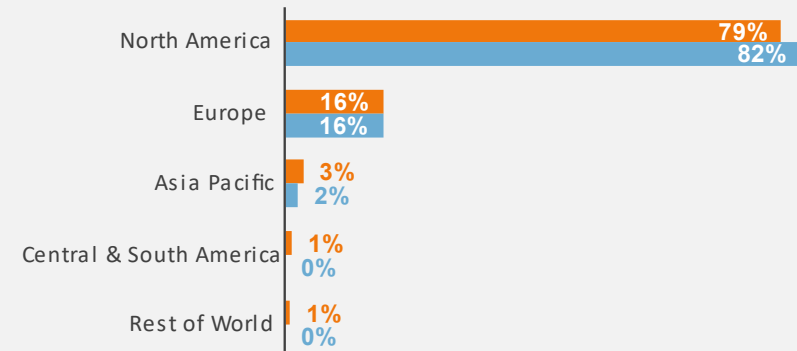
Source: CapitalIQ, Pitchbook. Only deals greater than $5m shown here. Data as of 30/06/2023

Silverpeak Research

Software Benchmark

M&A Activity

Series B&C

Sector Knowledge

Construction Tech

Space Tech

Energy Tech

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