

SOFTWARE M&A ACTIVITY REPORT H2 2023

European and North American mid-market on the rise, as large and mega caps cool off

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MID-MARKET EUROPEAN AND NORTH AMERICAN M&A ACTIVITY INCREASES AS LARGE CAPS COOL OFF IN H2 2023

Q4 2023 ends as the weakest quarter in 2023 with total deal volume for the year at \$179bn, down 53% compared to 2022.

Having seen shoots of recovery in early 2023, following a dire Q4 2022, total deal value dropped from \$54bn to \$33bn (-38%) in the last quarter of 2023. We are seeing processes take longer due to buyer caution which has likely caused some deals to slip into 2024.

However, mid-market deals continue to grow in both value and volume, up \$8bn to \$14bn (77%) QoQ as buyers show increasing appetite for smaller deals.

Although total deal value decreased in Q4 2023, multiples have remained stable QoQ with no change in EV/Revenue and a minor increase in EV/EBITDA median multiples.

Following increasing dominance of PE led transactions from 2019 to 2023, strategic buyers have reclaimed a larger share of deal volume over private equity buyers, (increasing from 44% to 52% QoQ), however this is still down from the peak of 60% in Q3 2019. This shift is partly driven by strategics being much more acquisitive in the AI space than their PE counterparts.

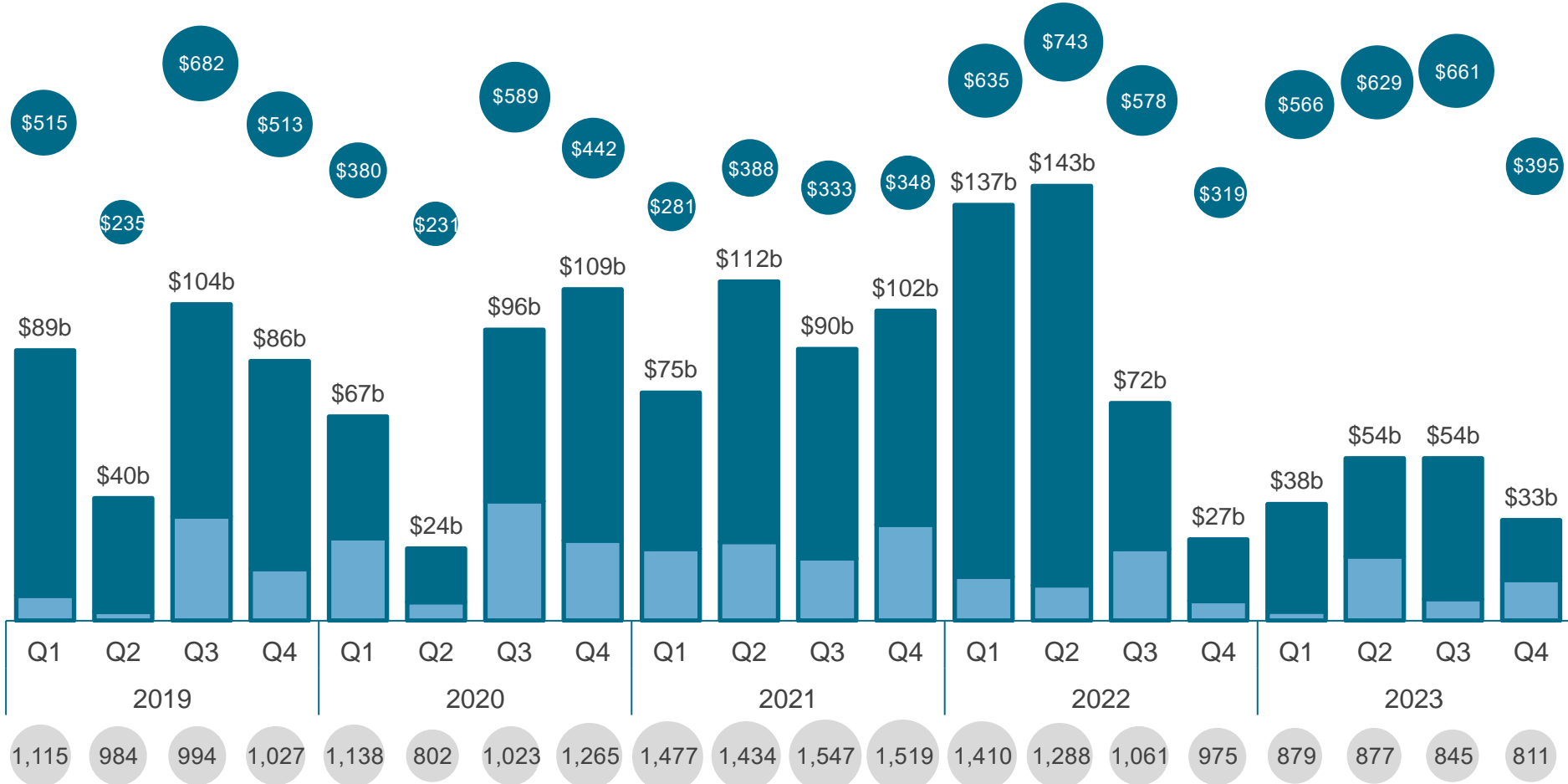
Despite their share of deal volume remaining the same, European buyers of European targets claimed a larger share of deal value over their North American counterparts.

DEAL METRICS Q4-23 VS Q3-23

AVERAGE TRANSACTION VALUE	-40%
TOTAL TRANSACTION VALUE	-38%
MID-MARKET TRANSACTION VALUE	+77%

Longer processes due to buyer caution cause deals to slip into 2024

Software M&A transaction value and deal count, 2019 – 2023



AVG. DEAL VALUE (\$m)
Deals with a disclosed value
-40% QoQ

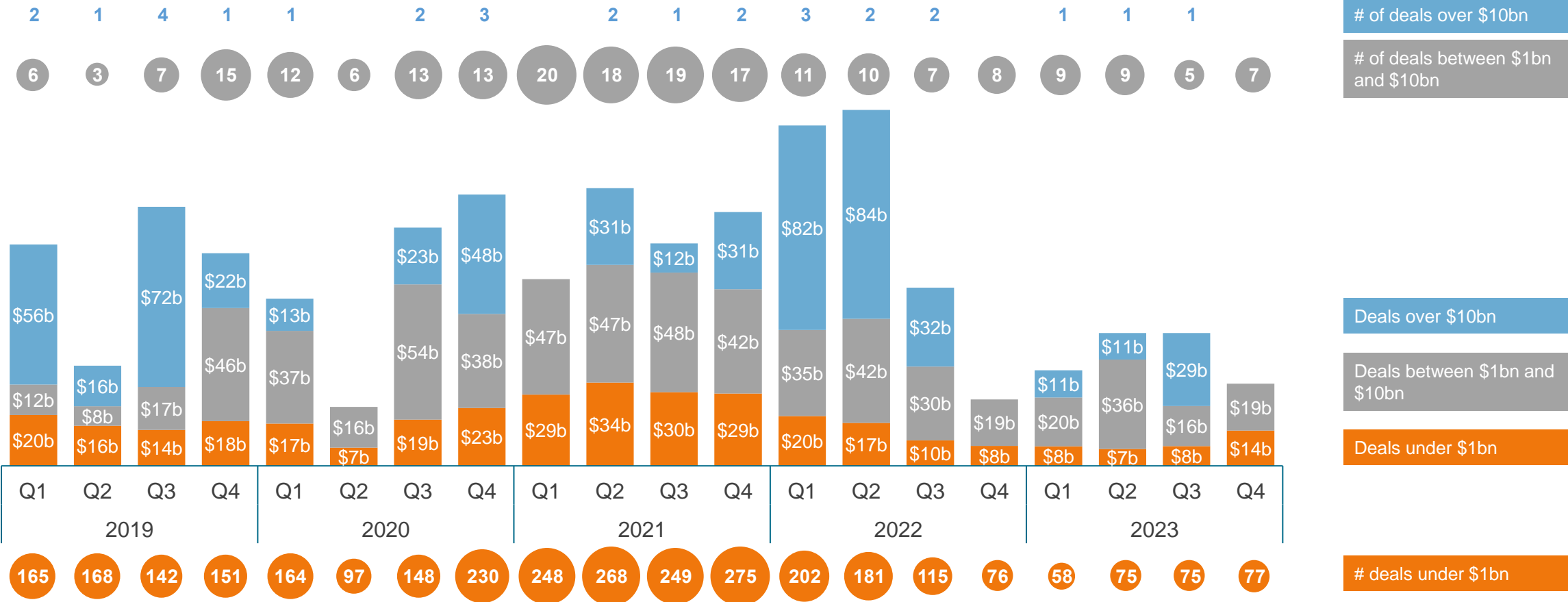
TOTAL TRANSACTION VALUE
-38% QoQ

EUROPE

TOTAL DEAL COUNT

Mid-market shows QoQ growth as buyers focus on smaller targets

M&A transaction values broken down by transaction size, 2019 – 2023



PE buyers complete majority of large deals in Europe and North America

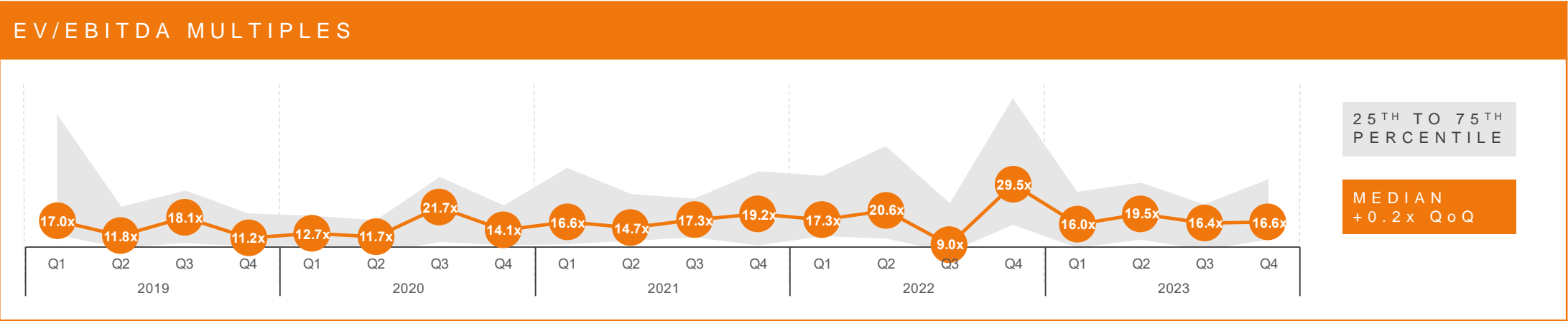
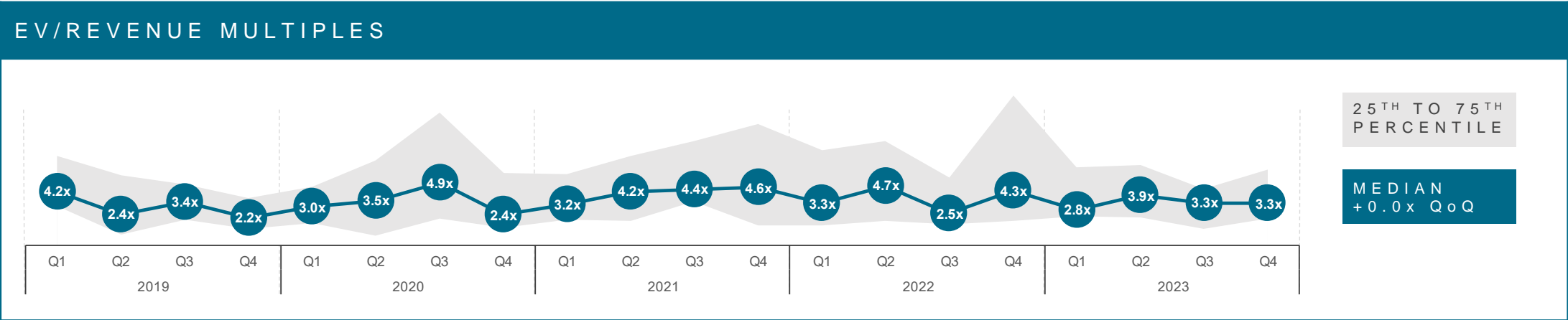
Largest M&A transactions in H2 2023 by geography

	DATE	DEAL SIZE	TARGET	HQ	SECTOR	ACQUIRER
TOP 5 DEALS IN NORTH AMERICA	21-Sep	\$29,415m	splunk>		Business software	
	31-Jul	\$6,597m	new relic		Business software	
	18-Dec	\$4,526m	alteryx		Data analytics	
	25-Jul	\$3,600m	imperva		Cybersecurity	THALES
	23-Oct	\$3,523m	EngageSmart		Financial software	

	DATE	DEAL SIZE	TARGET	HQ	SECTOR	ACQUIRER
TOP 5 DEALS IN EUROPE	26-Dec	\$4,003m	IRIS		Financial software	LGP
	17-Aug	\$3,453m	SUSE		Application software	IEQT
	18-Dec	\$2,326m	webMethods StreamSets		Business software	IBM
	28-Nov	\$2,275m	opentext [™] (AMC Business)		Database software	
	05-Dec	\$1,001m	cubic telecom		Telecoms	

Multiples holding firm

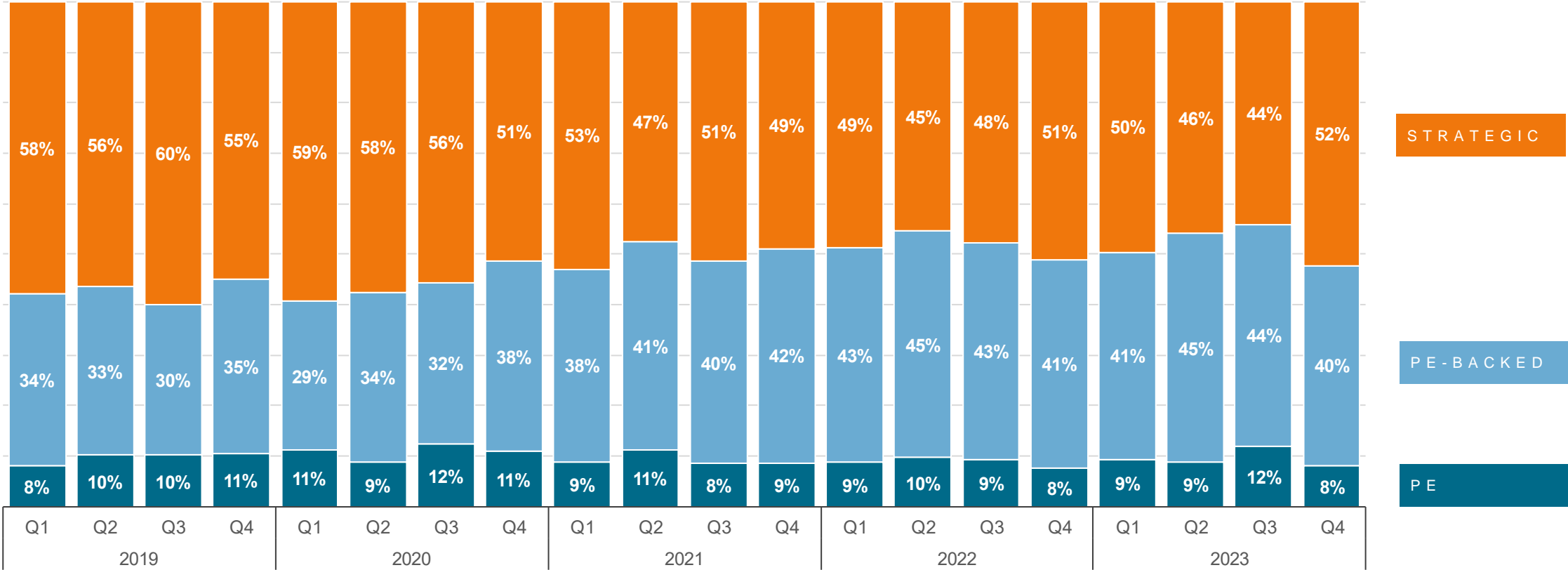
Median valuation multiples for M&A transactions, 2019 – 2023



Source: CapIQ, Pitchbook. Only deals greater than \$5m shown here. Only deals with an EV/EBITDA multiples <100x shown here. Note: Small sample size (5 deals) in Q4 2022 with disclosed EV/EBITDA multiples.

Strategic investment at highest level since Q1 2021 driven by AI acquisitions

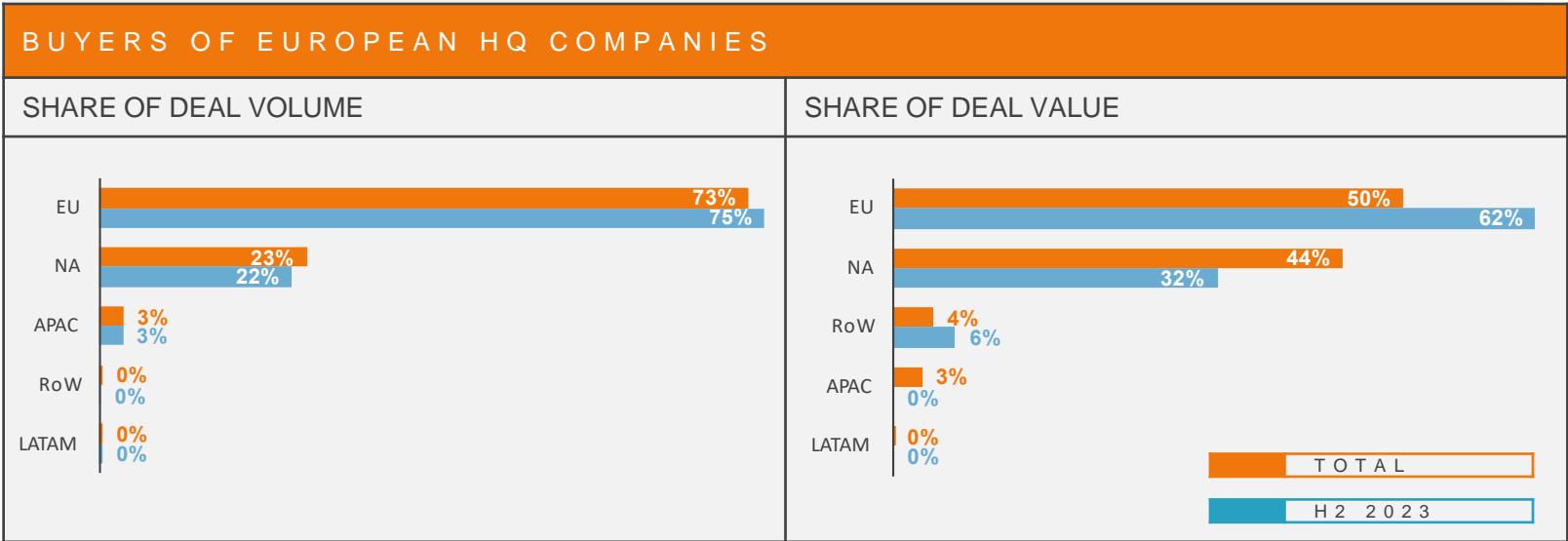
Deal count by buyer type:
Strategic, PE or PE-backed deals



US appetite for European targets cools off in the second half of 2023

M&A transactions by deal count and deal value for target/buyer geography, 2019 – 2023

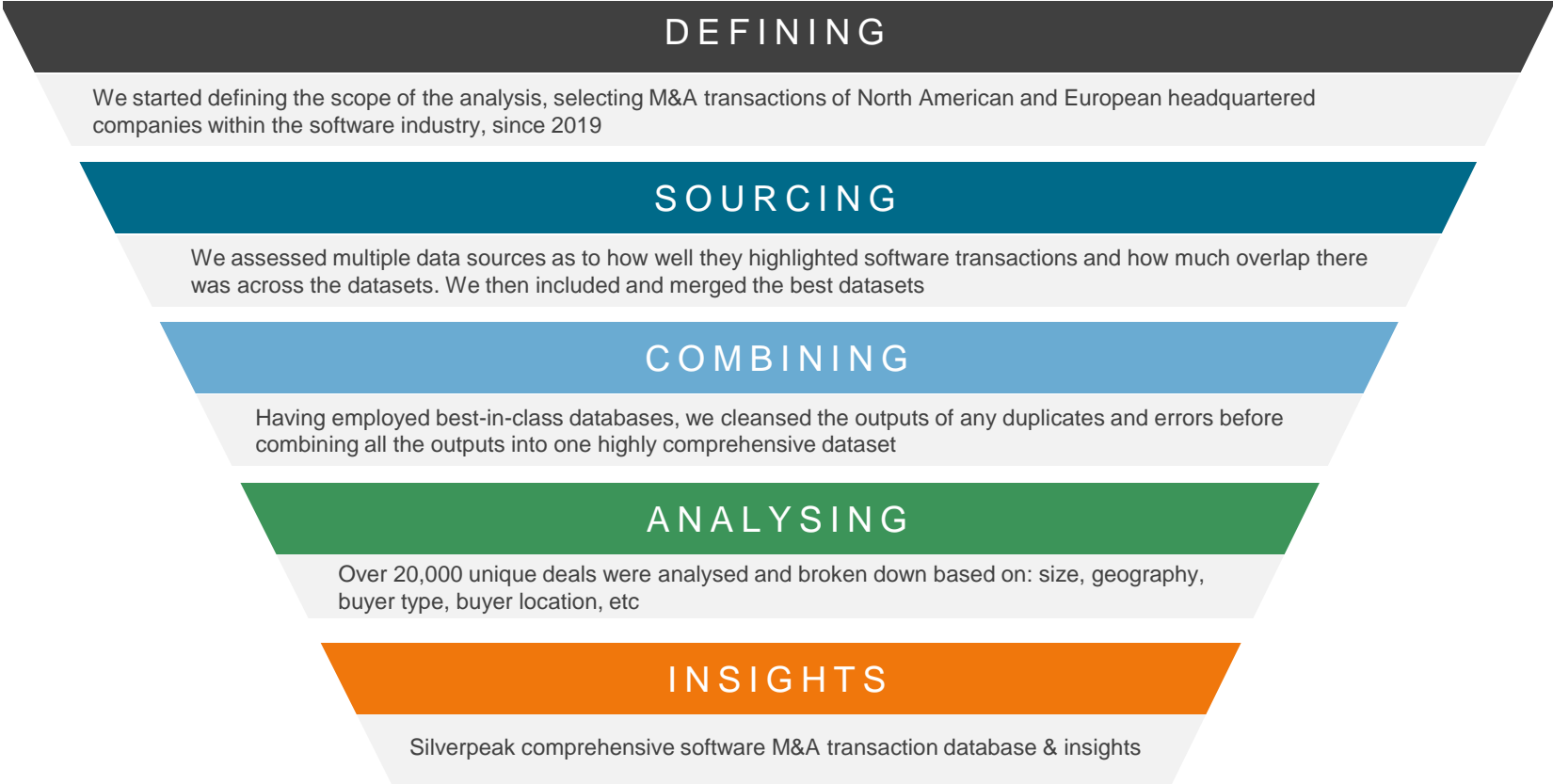
SOFTWARE ACQUISITIONS	
NORTH AMERICAN HQ	EUROPEAN HQ
12,115 deals \$1,187bn	10,355 deals \$365bn



Methodology



Leveraging multiple databases to create proprietary insights



SOURCES

- PitchBook
- S&P CAPITAL IQ
- crunchbase
- dealroom.co
- REFINITIV
- Mergermarket

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Pietro Strada
Managing Partner
ps@silverpeakib.com



Michael Lanzarotti
Associate
mll@silverpeakib.com



Dominic Taurins
Analyst
dt@silverpeakib.com

SILVERPEAK LLP, 123 VICTORIA STREET, LONDON, SW1E 6DE, UK