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SOFTWARE M&A REPORT H1 2024

Software M&A market characterised by flight to quality, consolidation and PE buyers

Welcome to the latest edition of the Silverpeak Software M&A report, a biannual review of European and US deal activity within the software sector.

Our dataset includes over 24,000 software M&A transactions from 2019 to June 2024 and combines data from Capital IQ and Pitchbook.

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In the first half of 2024, M&A deal activity in the software sector was discerning: high-quality assets attracted more buyers, pushing up median values. Smaller deals, below $1bn, were more sustained than larger ones, driven by specialist consolidators and PE-backed companies. Finally, US buyers have been more active than their European counterparts in acquiring European software companies.

PIETRO STRADA
MANAGING PARTNER, SILVERPEAK

DEAL METRICS H1 2023 vs H1 2024

Median deal value	+24%
Median EV/Revenue	+48%
Deal count	+4%
Share of PE-backed buyers	+2%

KEY FINDINGS

- The first quarter of 2024 kicked off with a strong performance, highlighted by the landmark transaction between Ansys and Synopsis in January. The absence of mega deals in Q2 resulted in a total deal value decline for the second quarter.

- The overall deal count below $1bn for the first half of 2024 stabilised below pre-COVID levels. However, a small upward trend in deal values can be noted in this group, representing a cautious recovery of smaller, add-on type deals, driven by consolidation efforts.

- The median deal value increased by 24% for the first 6 months compared to H1 2023. The ongoing "flight to quality" in the market is evident through the combination of lower deal counts and higher median deal values.
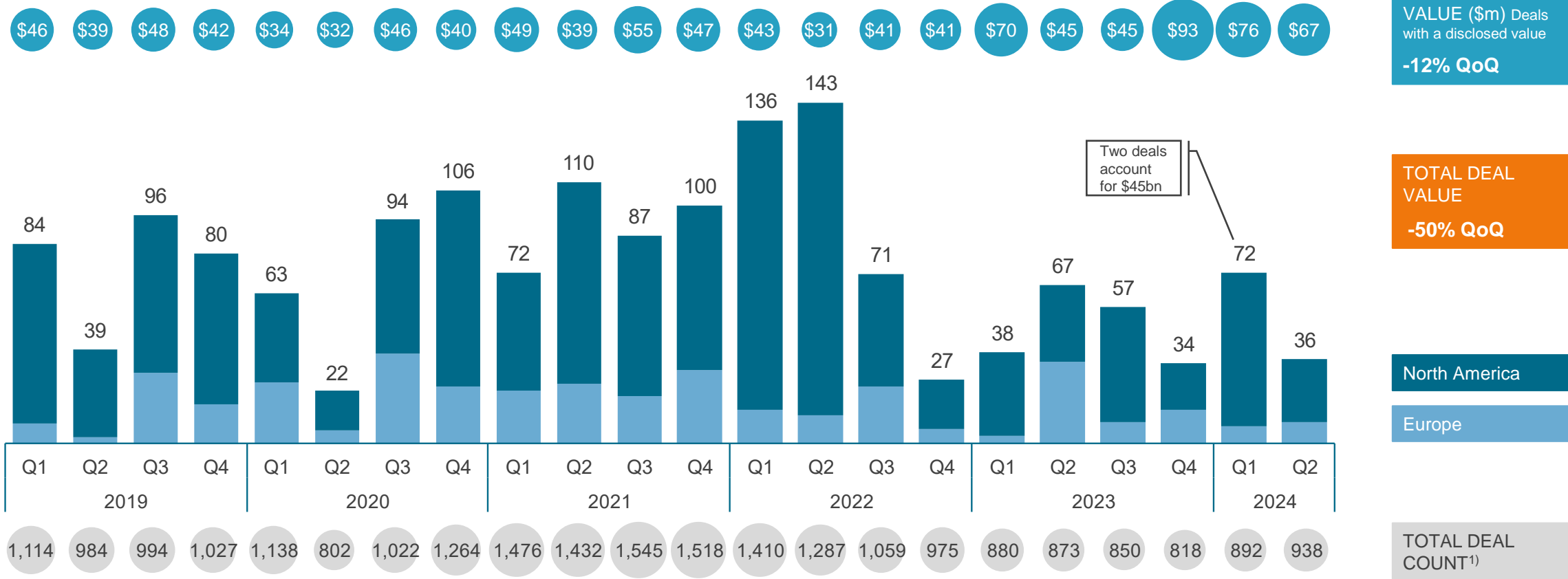
Deal value and volume remain steady, but above-average median deal values in the last three quarters highlight a selective M&A market and a flight to quality
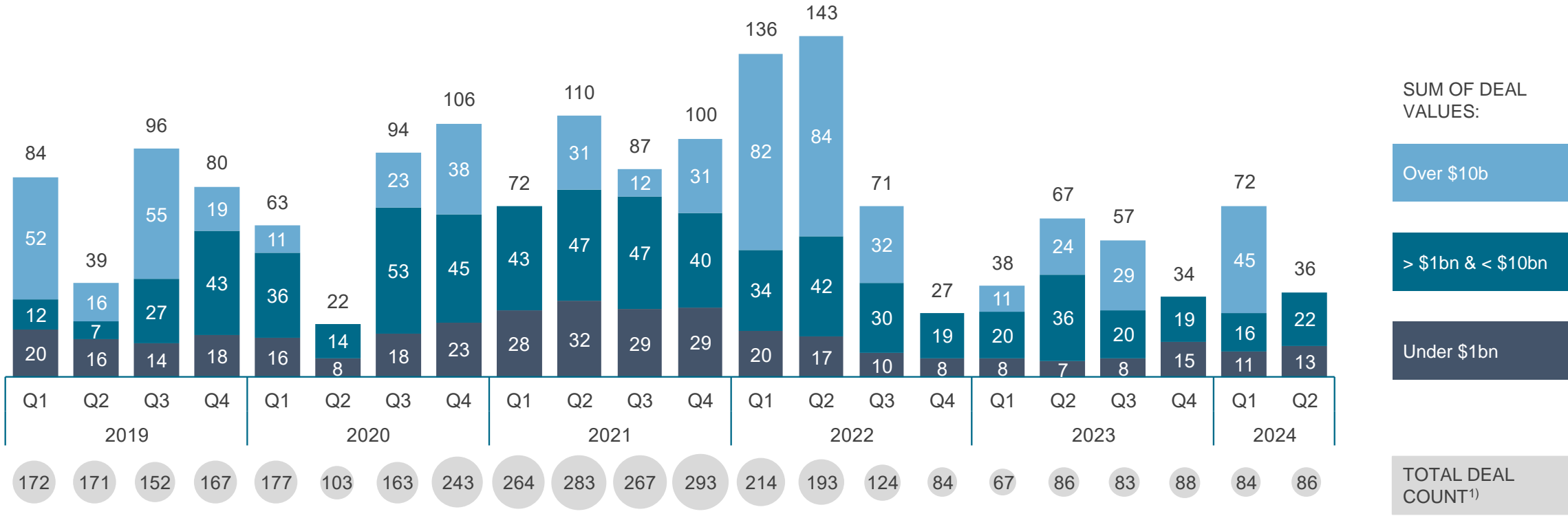
SOFTWARE M&A DEAL VALUE AND COUNT BY REGION, 2019 – 2024
(in $bn, unless stated otherwise)

MEDIAN DEAL VALUE ($m) Deals with a disclosed value
| $46 | $39 | $48 | $42 | $34 | $32 | $46 | $40 | $49 | $39 | $55 | $47 | $43 | $31 | $41 | $41 | $70 | $45 | $45 | $93 | $76 | $67 |

-12% QoQ

Total deal value (in $bn):
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
84	39	96	80	63	22	94	106	72	110	87	100	136	143	71	27	38	67	57	34	72	36

Two deals account for $45bn

TOTAL DEAL VALUE

-50% QoQ

North America

Europe

	2019				2020				2021				2022				2023				2024

TOTAL DEAL COUNT[1]
| 1,114 | 984 | 994 | 1,027 | 1,138 | 802 | 1,022 | 1,264 | 1,476 | 1,432 | 1,545 | 1,518 | 1,410 | 1,287 | 1,059 | 975 | 880 | 873 | 850 | 818 | 892 | 938 |

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Aggregate value for deals below $1bn has grown in the last three quarters, partly due to consolidation in the software sector

M&A DEAL VALUES BY SIZE, 2019 – 2024
(in $bn, unless stated otherwise)

SUM OF DEAL VALUES:

Over $10b

> $1bn & < $10bn

Under $1bn

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
			2019				2020				2021				2022				2023			2024	

TOTAL DEAL COUNT[1]

| 172 | 171 | 152 | 167 | 177 | 103 | 163 | 243 | 264 | 283 | 267 | 293 | 214 | 193 | 124 | 84 | 67 | 86 | 83 | 88 | 84 | 86 |

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The number of deals with disclosed values continues to be below pre-COVID levels, consistent with an increase in PE-backed buyers

 # OF SOFTWARE M&A DEALS WITH DISCLOSED VALUES, 2019 – 2024
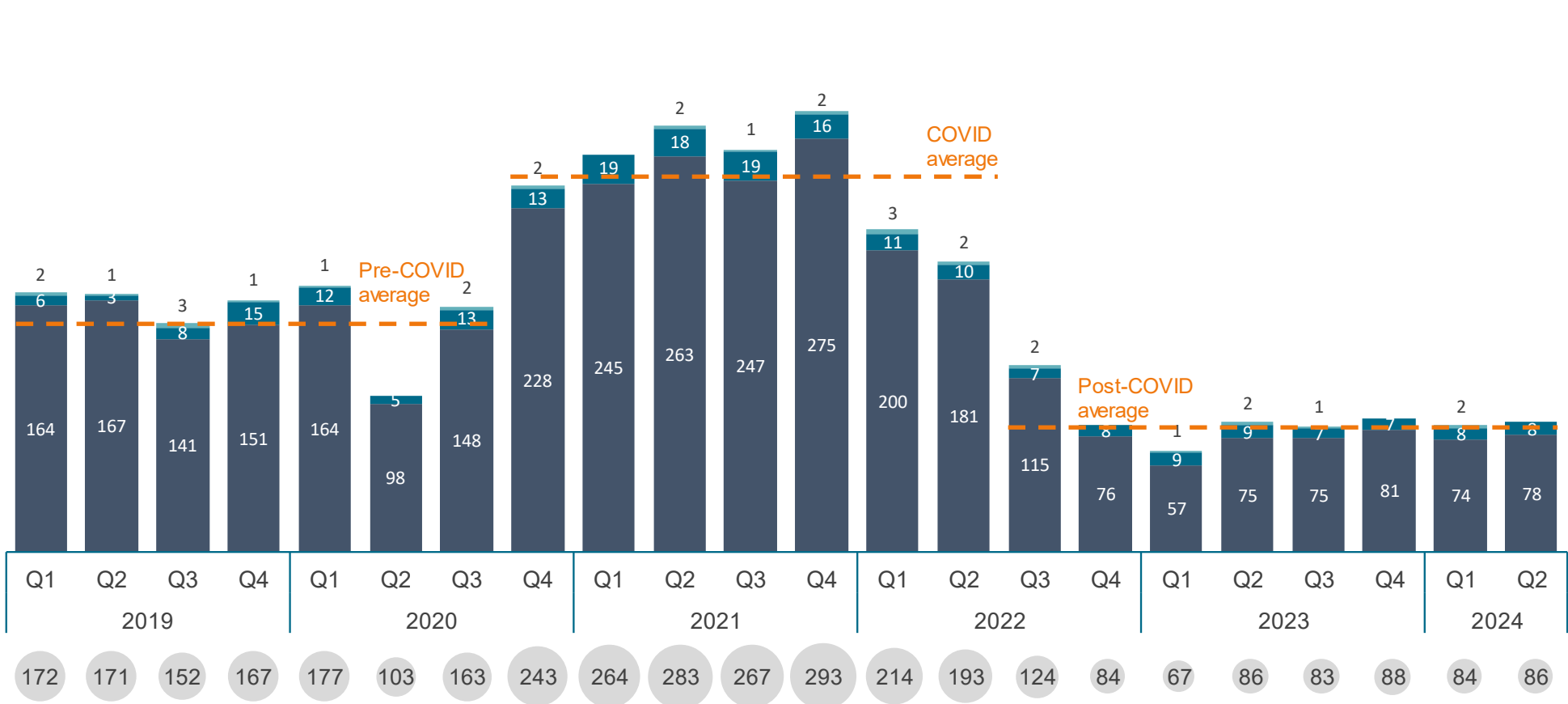
				TOTAL DEAL AVERAGE	
				Pre-COVID:	158
				COVID:	251
				Post-COVID:	88

> $10bn AVERAGE	
Pre-COVID:	1
COVID:	2
Post-COVID:	1

> $1bn & < $10bn AVERAGE	
Pre-COVID:	9
COVID:	15
Post-COVID:	8

< $1bn AVERAGE	
Pre-COVID:	148
COVID	234
Post-COVID	79

TOTAL DEAL COUNT

Three of Europe's five largest deals were completed by financial investors, with the top three by North American buyers

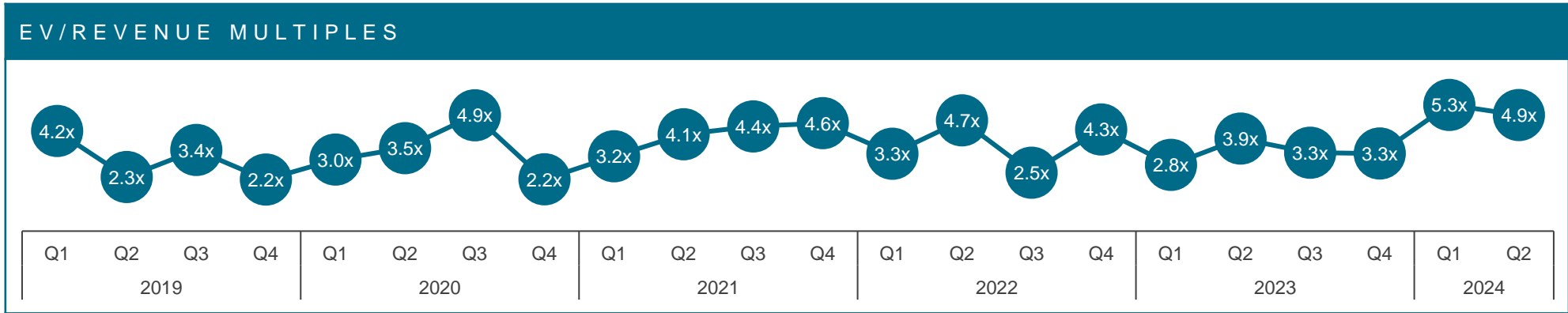## LARGEST M&A DEALS IN H1 2024 BY GEOGRAPHY

	DATE	DEAL SIZE	EV/REV	TARGET	HQ	SECTOR	ACQUIRER	
TOP 5 DEALS IN NORTH AMERICA	16-Jan	$33,458m	14.4x	Ansys	🇺🇸	Computer software	Synopsys	
	13-Mar	$12,250m	N/A	TRONIC / JBB Advanced Technologies	🇺🇸	Productivity software	Tronic Ventures (Christina Marshall)	
	24-Apr	$7,664m	11.0x	HashiCorp	🇺🇸	IT infrastructure	IBM	
	14-Feb	$5,872m	20.2x	Altium	🇺🇸	Electronics design	Renesas	
	23-May	$3,000m	15.0x	AuditBoard	🇺🇸	Risk software	Hg	🟠

	DATE	DEAL SIZE	EV/REV	TARGET	HQ	SECTOR	ACQUIRER	
TOP 5 DEALS IN EUROPE	26-Apr	$5,597m	8.5x	DARKTRACE	🇬🇧	Cybersecurity	THOMABRAVO	🟠
	05-Mar	$1,240m	13.8x	BETA	🇸🇪	Simulation software	cadence	
	11-Jan	$842m	8.6x	PAGERO	🇨🇭	Business software	Thomson Reuters	
	28-May	$650m	N/A	lumapps	🇬🇧	IT software	Bridgepoint / BridgePoint Capital	🟠
	21-Feb	$543m	N/A	MARLOWE	🇬🇧	Health software	inflexion	🟠

Source: CapIQ, Pitchbook; 🟠 PE Buyers

Increasing EV/Revenue in combination with volatile EV/EBITDA could indicate an increasing appetite for growth
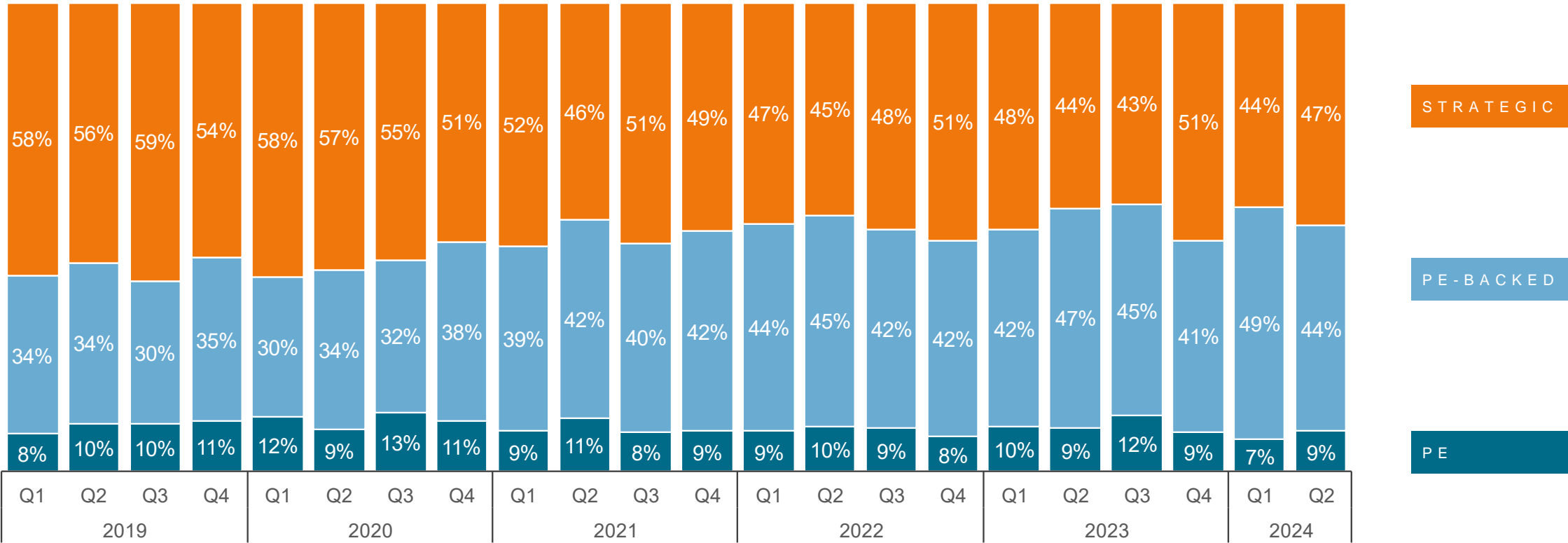
MEDIAN VALUATION MULTIPLES FOR M&A DEALS, 2019 – 2024

EV/REVENUE MULTIPLES

Values (Q1 2019 – Q2 2024): 4.2x, 2.3x, 3.4x, 2.2x, 3.0x, 3.5x, 4.9x, 2.2x, 3.2x, 4.1x, 4.4x, 4.6x, 3.3x, 4.7x, 2.5x, 4.3x, 2.8x, 3.9x, 3.3x, 3.3x, 5.3x, 4.9x

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
2019				2020				2021				2022				2023				2024	

MEDIAN -0.4x QoQ

EV/EBITDA MULTIPLES

Values (Q1 2019 – Q2 2024): 17.0x, 11.8x, 18.1x, 11.2x, 12.7x, 11.7x, 21.7x, 13.8x, 15.7x, 14.8x, 17.3x, 19.2x, 17.3x, 20.6x, 9.0x, 29.5x, 16.0x, 19.5x, 16.4x, 16.6x, 42.7x, 18.0x

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
2019				2020				2021				2022				2023				2024	

MEDIAN -24.7x QoQ

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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 & Q1 2024 with disclosed EV/EBITDA multiples.

The long-term trend of PE involvement continues, particularly with add-on investments

DEAL COUNT BY BUYER TYPE: STRATEGIC, PE OR PE-BACKED DEALS

Legend: STRATEGIC (orange), PE-BACKED (light blue), PE (dark blue)

Year	Quarter	Strategic	PE-Backed	PE
2019	Q1	58%	34%	8%
2019	Q2	56%	34%	10%
2019	Q3	59%	30%	10%
2019	Q4	54%	35%	11%
2020	Q1	58%	30%	12%
2020	Q2	57%	34%	9%
2020	Q3	55%	32%	13%
2020	Q4	51%	38%	11%
2021	Q1	52%	39%	9%
2021	Q2	46%	42%	11%
2021	Q3	51%	40%	8%
2021	Q4	49%	42%	9%
2022	Q1	47%	44%	9%
2022	Q2	45%	45%	10%
2022	Q3	48%	42%	9%
2022	Q4	51%	42%	8%
2023	Q1	48%	42%	10%
2023	Q2	44%	47%	9%
2023	Q3	43%	45%	12%
2023	Q4	51%	41%	9%
2024	Q1	44%	49%	7%
2024	Q2	47%	44%	9%

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Increased appetite for European targets from North American buyers compared to long time average

M&A DEALS BY COUNT AND VALUE FOR TARGET/BUYER GEOGRAPHY[1], 2019 – 2024
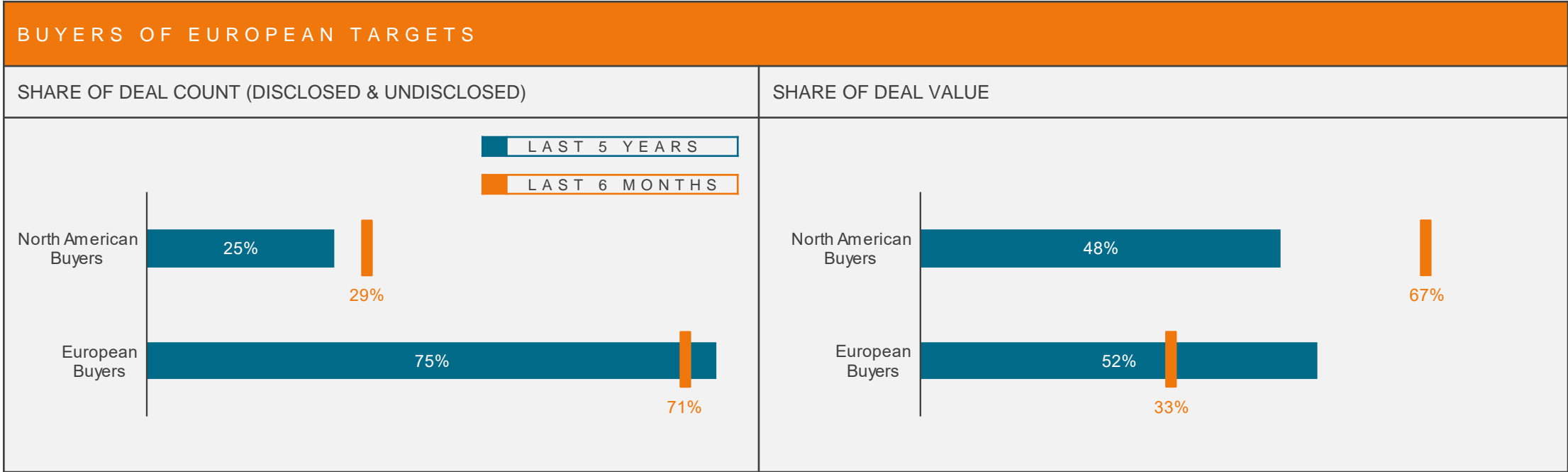
Methodology

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Leveraging multiple databases to create proprietary insights

SILVERPEAK'S SOFTWARE M&A TRANSACTION DATABASE

Over 24,000 deals are analysed based on: size, geography, buyer type, buyer location.

The data set is created by:

- Selecting M&A transactions of US and European headquartered companies within the software industry, since 2019.

- Assessing multiple data sources as to how well they highlight software transactions.

- Merging the best datasets and deduplicating.

- Combining all the outputs into one highly comprehensive dataset.

All commentary is based on the expert insights of the Silverpeak team.

The dataset is limited to disclosed data.

SOURCES

PitchBook

S&P CAPITAL IQ

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