

SOFTWARE M&A REPORT H1 2024

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

JULY 2024

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EDITORIAL TEAM

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

KEY FINDINGS

- The first quarter of 2024 kicked off with a strong performance, highlighted by the landmark transactions 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.

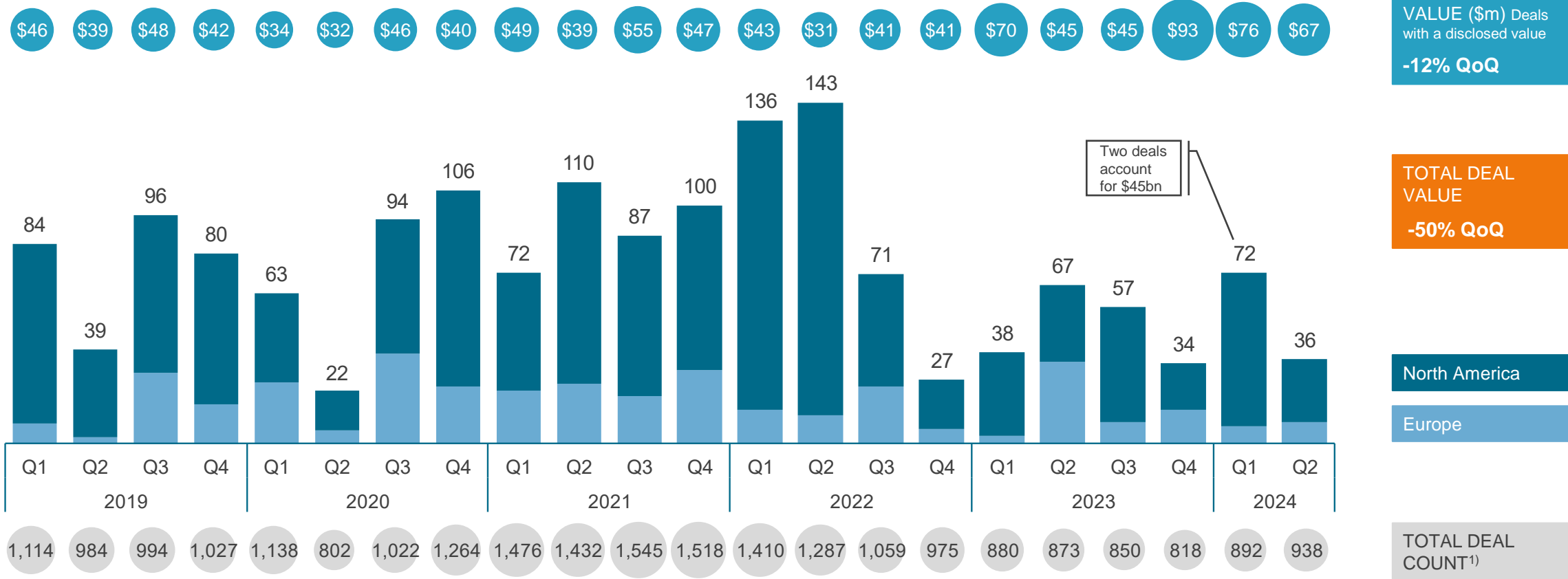
DEAL METRICS

H1 2023 vs H1 2024

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

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

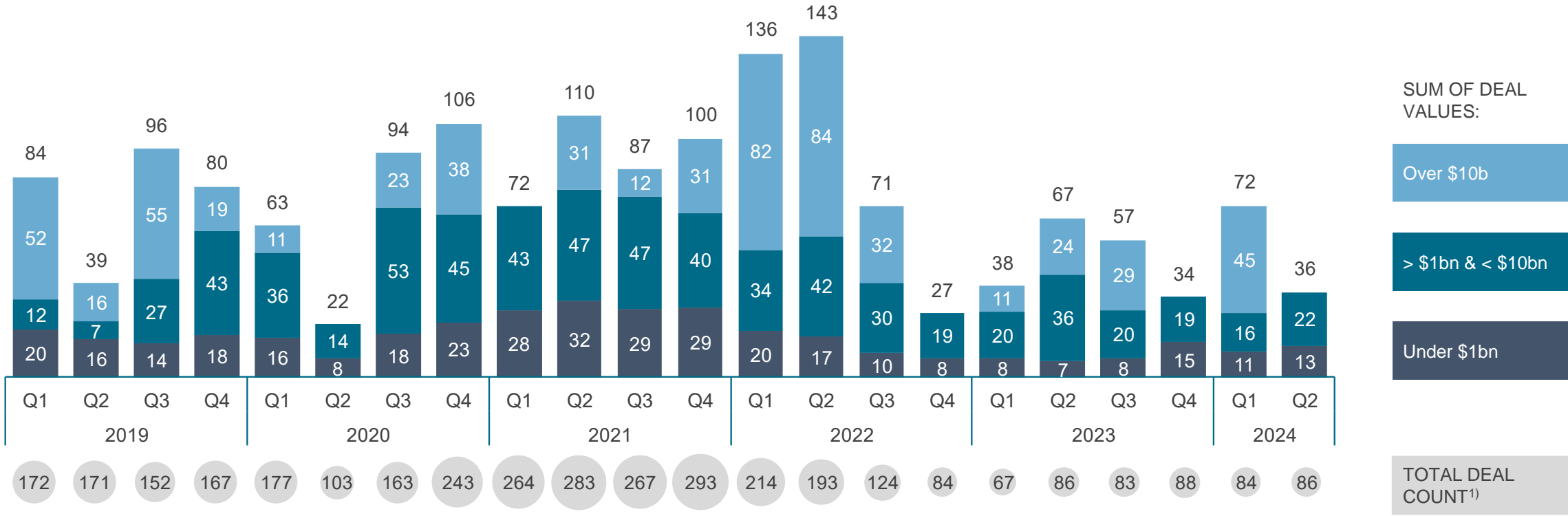
SOFTWARE M&A DEAL VALUE AND COUNT BY REGION, 2019 – 2024
(in \$bn, unless stated otherwise)



¹⁾ Number of deals, including deals without disclosed value
Source: CapIQ, Pitchbook. Only deals greater than \$5m shown here. \$ values shown are implied EV. Data as of 06/07/2024

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

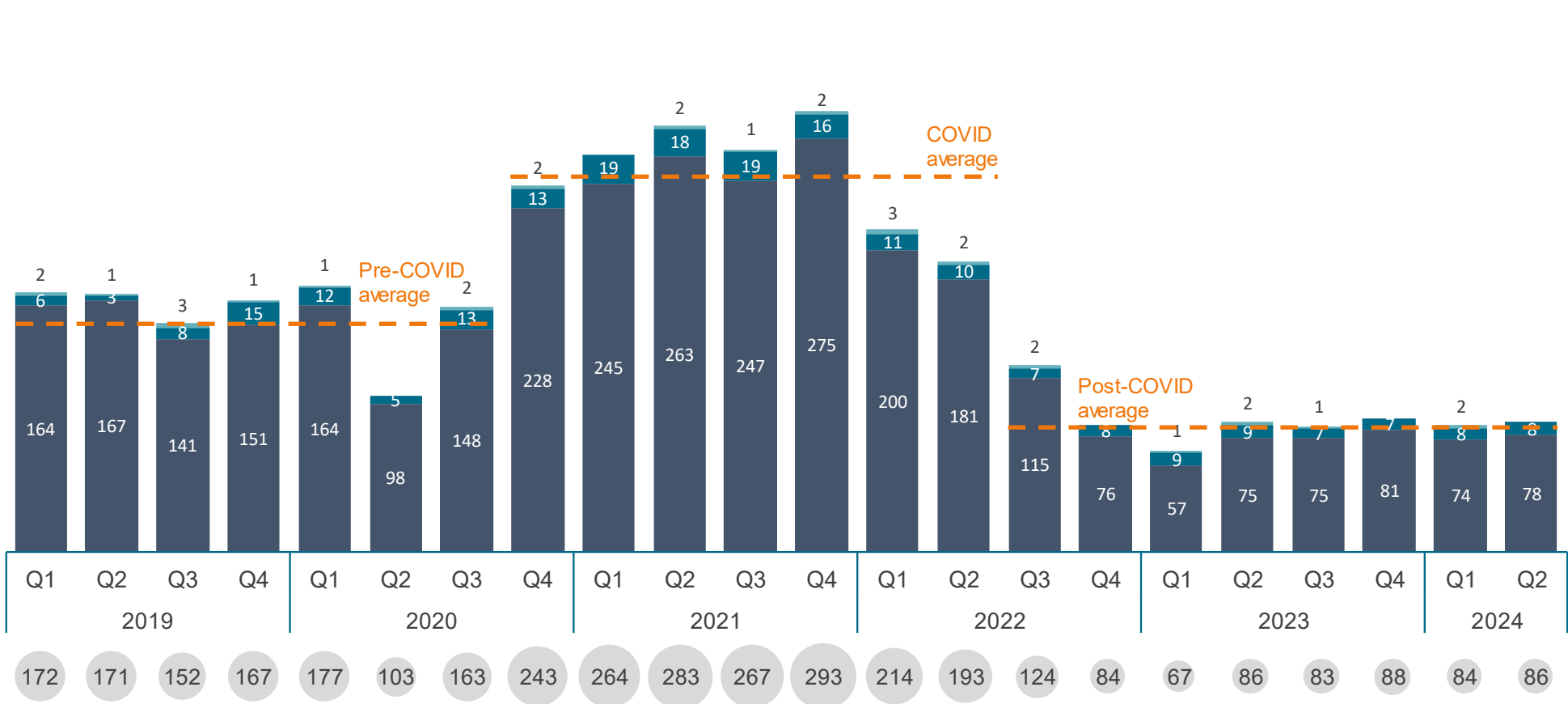
M&A DEAL VALUES BY SIZE, 2019 – 2024
(in \$bn, unless stated otherwise)



¹⁾ Only includes deals with disclosed value
Source: CapIQ, Pitchbook. Only deals greater than \$5m shown here. \$ values shown are implied EV. Data as of 06/07/2024

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

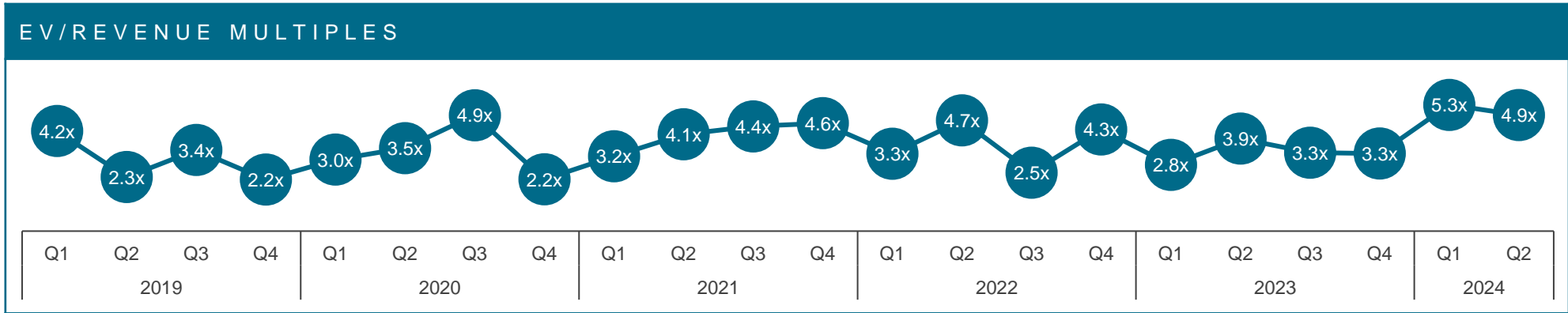
LARGEST M&A DEALS IN H1 2024 BY GEOGRAPHY

	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		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

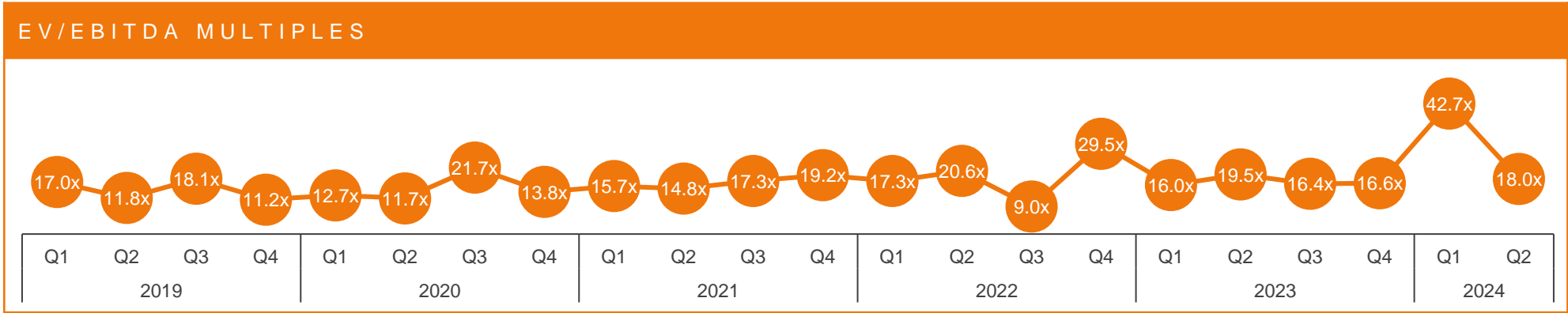
	DATE	DEAL SIZE	EV/REV	TARGET	HQ	SECTOR	ACQUIRER
TOP 5 DEALS IN EUROPE	26-Apr	\$5,597m	8.5x	DARKTRACE		Cybersecurity	THOMABRAVO
	05-Mar	\$1,240m	13.8x	BETA		Simulation software	cadence®
	11-Jan	\$842m	8.6x	PAGERO		Business software	Thomson Reuters
	28-May	\$650m	N/A	lumapps		IT software	Bridgepoint Capital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

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



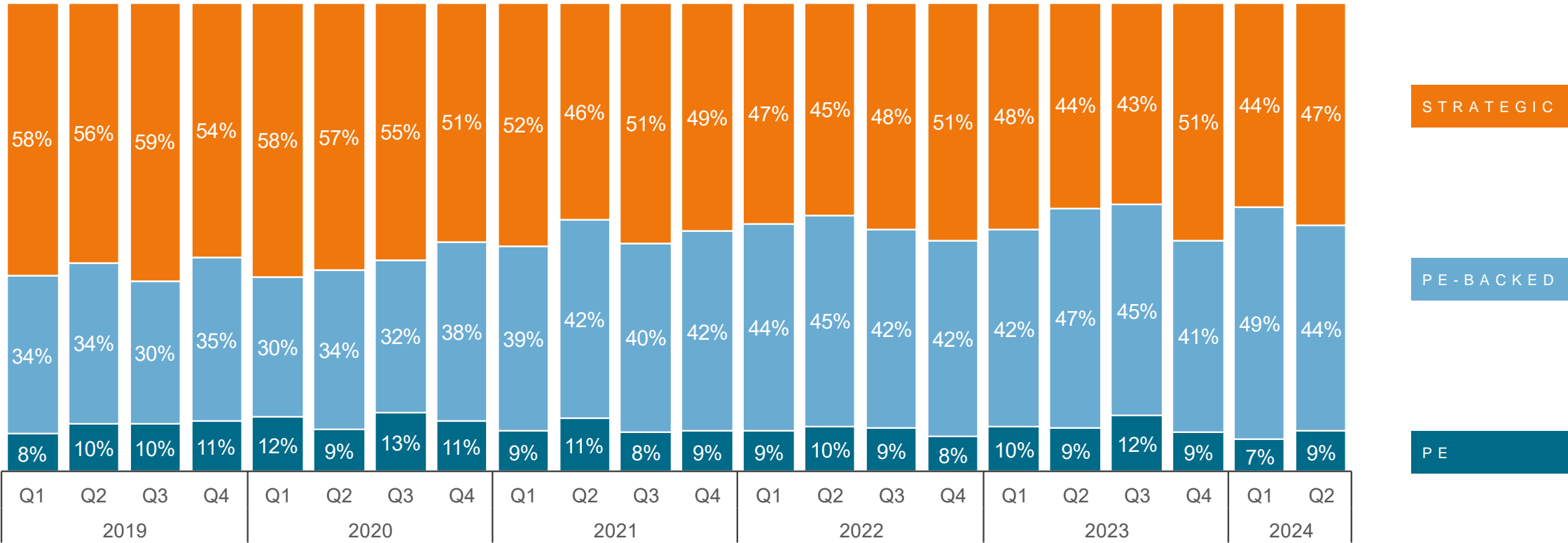
MEDIAN
- 0.4x QoQ



MEDIAN
- 24.7x QoQ

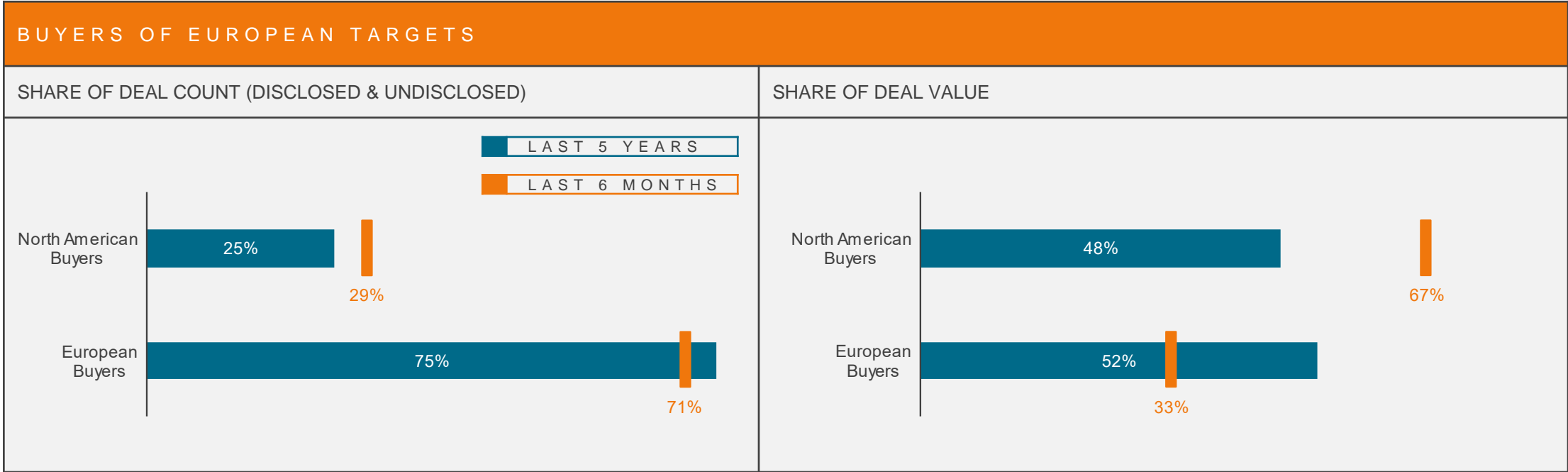
The long-term trend of PE involvement continues, particularly with add-on investments

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



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

M&A DEALS BY COUNT AND VALUE FOR TARGET/BUYER GEOGRAPHY¹⁾, 2019 – 2024



¹⁾ Buyer Geography based on headquarter
 Source: CapIQ. Data as of 06/07/2024

Methodology



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.





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