



M&A sector report

Nordic software and IT services transactions market

Q2-2021

Letter from the editors

The strong M&A market continued in the Nordics in Q2, both within software and IT services. Within software the deal volume in a quarter reached new heights, with 70 deals being announced. The high M&A pricing levels within software also continued in Q2, albeit slightly lower than LTM as per end of Q1-21, with a median EV/Sales multiple of ~4.5x for the last twelve months as per end of Q2 compared to ~5x at end of Q1.

Next twelve months (NTM) software trading multiples have declined from previous record high levels at ~18x EV/Sales, to 14x EV/Sales for the Deloitte Global index and 12x EV/Sales for the Deloitte Nordic index. However, valuations have rebounded somewhat from Q1 lows, on the back of strong quarterly results and uplift in forward estimates during Q2.

The Nordic IT services market had a record quarter in terms of deal volume in Q2-21 with 35 M&A transactions. The total number of M&A transactions as of end of June-21 is now 54, only one less than the total M&A transaction volume within this sector in 2020. The attractive M&A pricing levels within IT services continued in Q2-21 with a median EV/EBITDA multiple of 10x for the last twelve months.

Looking at the investor base, we see that international buyers continue to show interest in Nordic software companies also in Q2, completing 47% of the transactions. The IT services market is dominated by Nordic investors, completing 91% of the transactions.

The Q2-2021 report reflects transactions involving a Nordic target registered by Mergermarket, as well as our transaction experience and insights.



Nordic SaaS trading multiples at 12x NTM EV/Sales



Highest software deal volume in a quarter over the last 5 years



Nordic IT services index trading at 13x NTM EV/EBITDA



Highest IT services deal volume in a quarter over the last 5 years



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01 Software

02 Software

14x

The global SaaS index traded at approx. 14x next twelve-month revenues at the end of Q2, approx. 5x sales above the 5-year average

12x

The Nordic SaaS index traded at approx. 12x next twelve-month revenues as at quarter-end Q2, approx. 5x sales above the 5-year average

6x

The global SaaS Index has outperformed the broader market over the last 5 years and has returned ~600% over that period

4x

Nordic software transactions concluded at a median EV/Sales multiple of ~4.5x for the last twelve months (per 31/04)

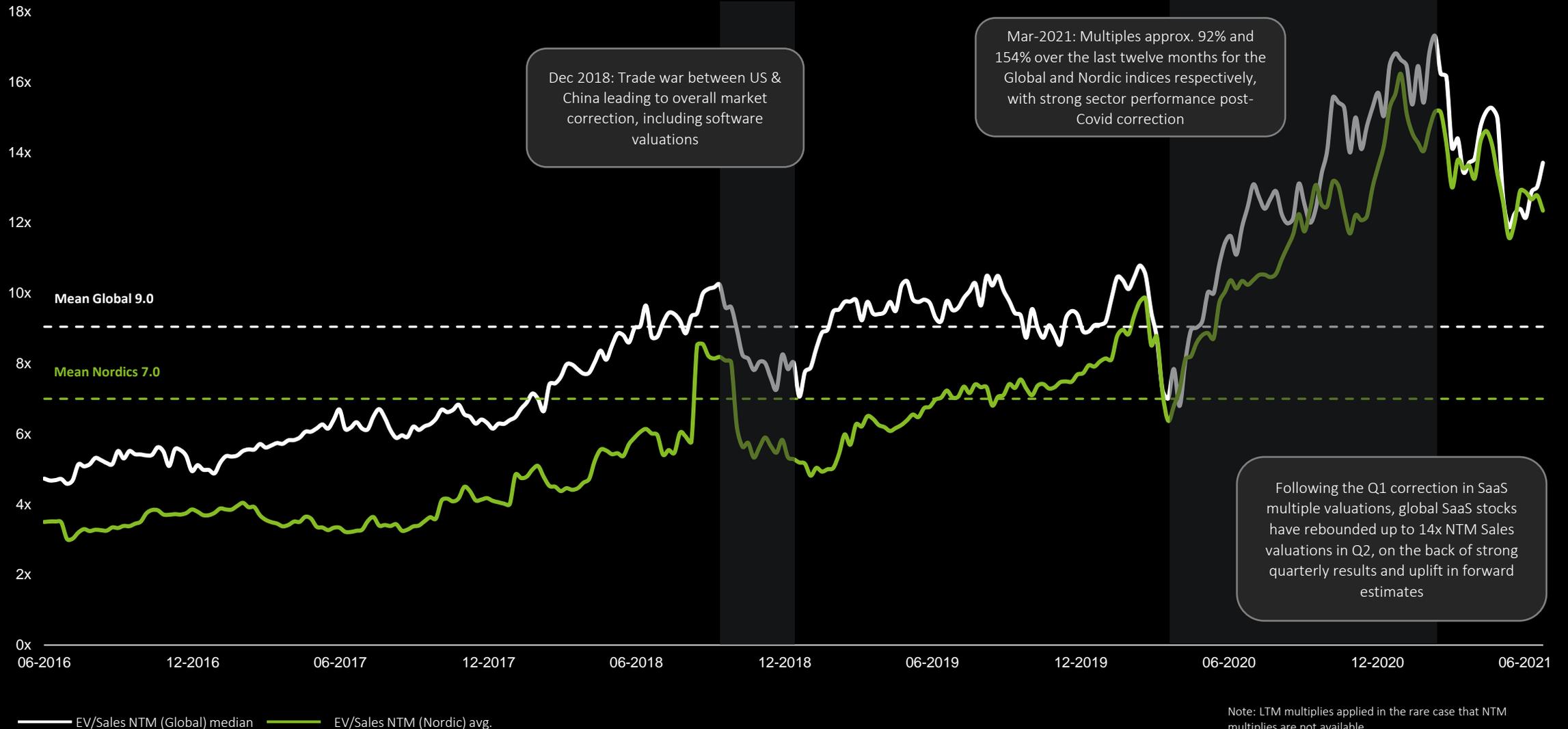
Another record quarter for transaction volume in the Nordic software M&A market in the second quarter of 2021

Software company valuations globally have rebounded somewhat in Q2, from Q1 low at around ~12x Sales (NTM) to approx. ~14x Sales (NTM) per quarter-end Q2-21

Nordic transaction multiples continue at high levels, and available transaction data showcases a median EV/Sales multiple last twelve months of ~4.4x Sales

In the Nordics, strategic buyers continued to be highly acquisitive and were involved in 46% of software transactions, while PE-backed companies and financial investors accounted for 33% and 21% respectively

The Nordic SaaS index traded at 12.3x NTM sales at the end of Q2-2021, while the Global SaaS index traded at 13.7x NTM sales

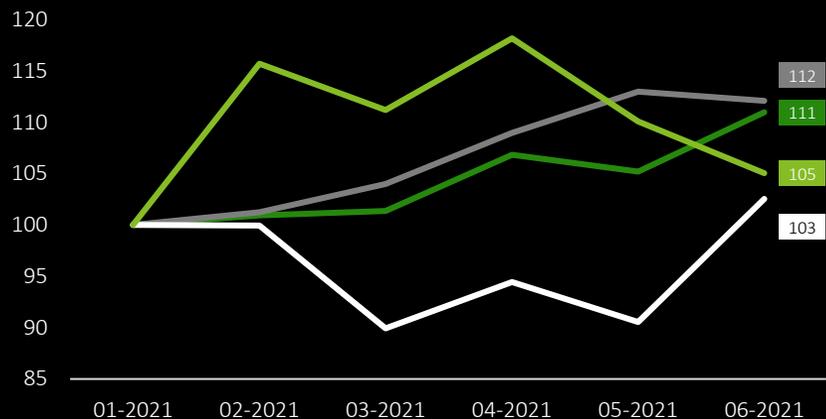


Note: LTM multiples applied in the rare case that NTM multiples are not available

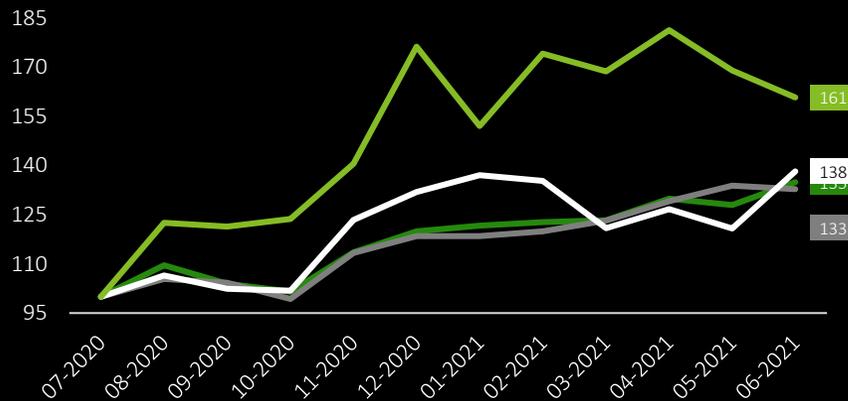
Source: S&P Capital IQ

Nordic and global SaaS indices outperforming Nasdaq and MSCI Nordic the last five years; global SaaS company underperforming broader indices last six months

Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L6M



Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic- L12M



Key take aways



Over the last five years, the Global and Nordic SaaS indices has strongly outperformed both the MSCI Nordic and Nasdaq index

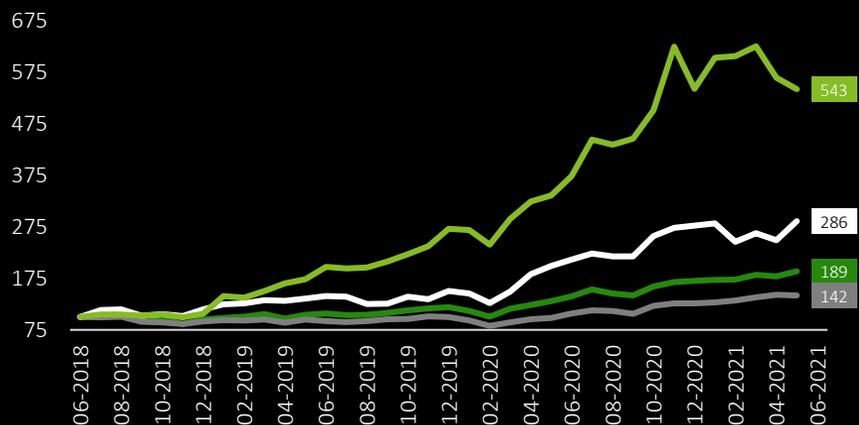


The SaaS indices have accelerated the out-performance during the Covid-19 downturn, however, both indices have underperformed in H1-21, when compared to the broader market

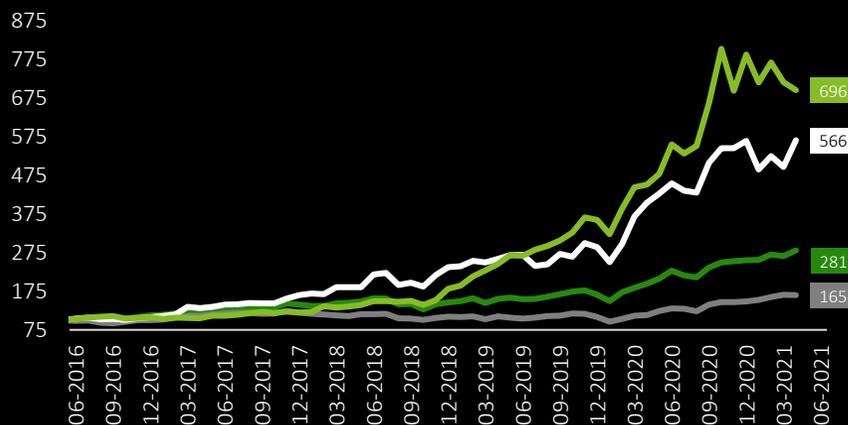


The overall strong performance of the SaaS indices underlines the continued strong demand for software companies

Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L3Y



Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L5Y

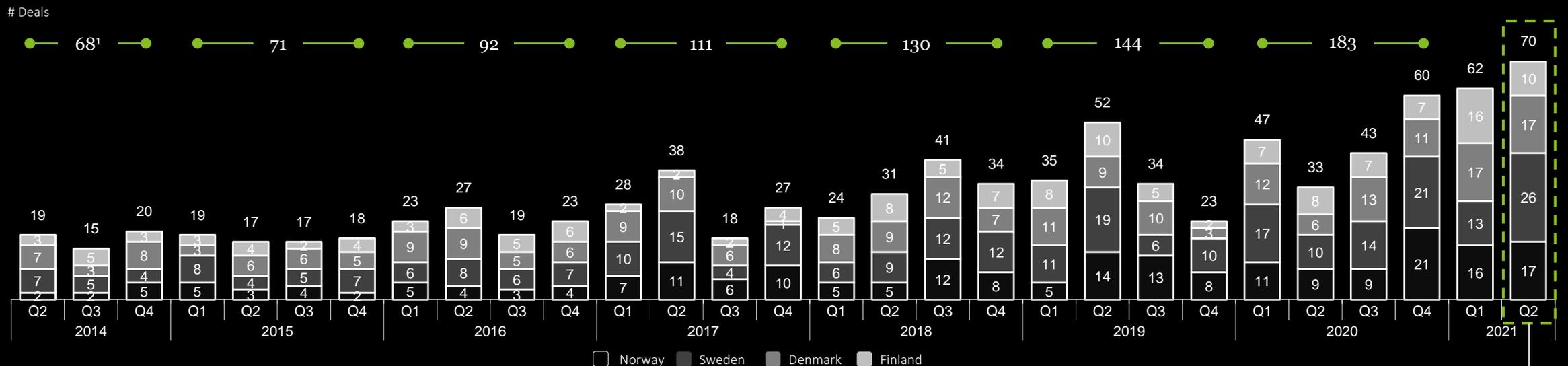


Deloitte Nordic SaaS index | Deloitte Global SaaS index | Nasdaq Composite | MSCI Nordic

Another record high quarter for M&A within software across the Nordics in Q2-21

M&A Transaction volume

The high deal volume across the Nordic countries continued within software in Q2-2021



Norway

The strong M&A market continued in Q2-21, with record highs for a second quarter of the year and a YOY growth of 89% compared to Q2-20

Strategic buyers and PE-backed companies accounted for 35% each whilst PE investors completed 29% of the deals in Q2-21

International PE and PE backed companies completed a total of 4 deals while Danish and Finnish buyers 2 deals each in Q2-21

Sweden

The number of software transactions involving Swedish companies reached record highs in Q2-21 with YOY growth of 160% compared to Q2-20

Strategic investors accounted for 58% of the deals in Q2-21, with PE-backed companies and financial sponsors accounting for 23% and 19% respectively

Swedish software companies attracted significant interest from international investors, completing 11 of the deals in Q2-21. Other Nordic investors completed 4 deals

Denmark

The strong M&A market continued in Q2-21 in Denmark, equal to Q1-21, as the highest M&A volume registered in a quarter over the period

PE-backed investors accounted for 47% of the deals, whilst strategic buyers and financial sponsors completed 29% and 24% respectively

Danish software companies attracted significant interest from international investors, completing 11 of the deals Q1-21. Other Nordic investors completed 3 deals

Finland

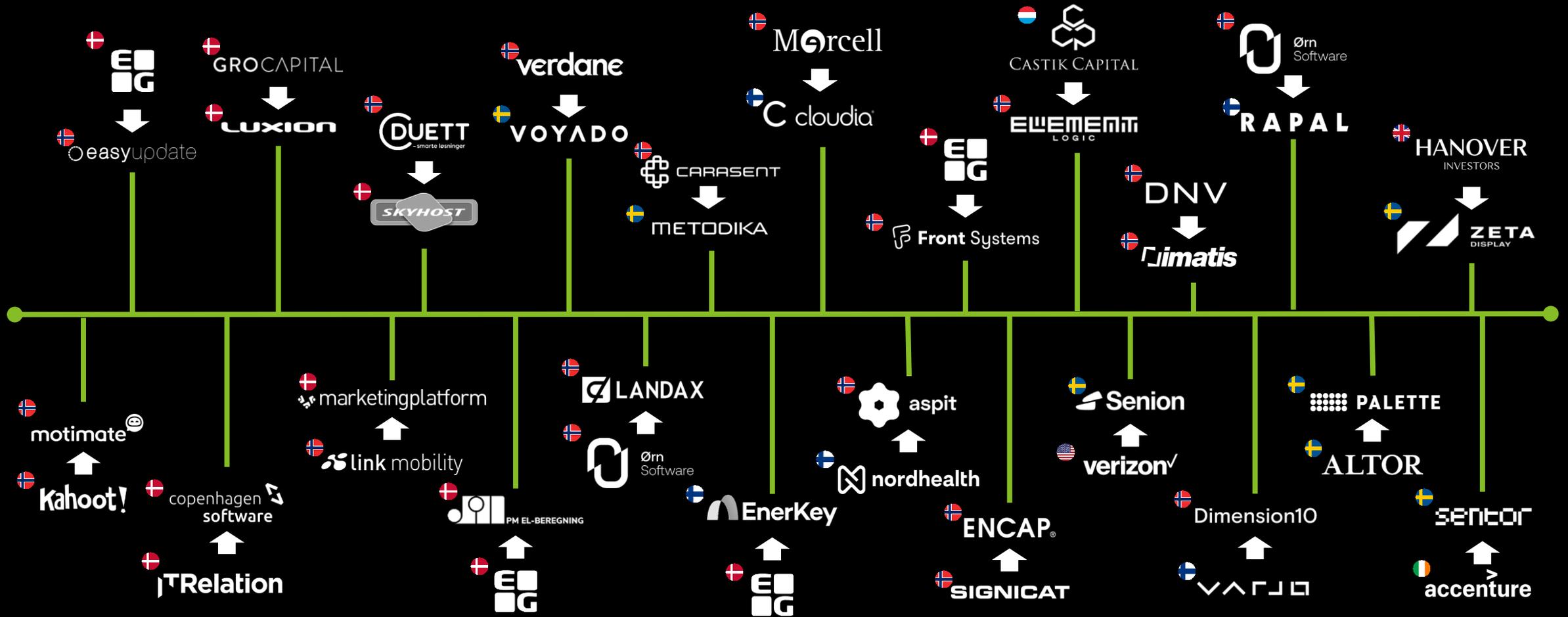
Continued high deal volume in Q2-21 in Finland with the same number of transactions recording compared to Q2-20

Strategic investors accounted for 57% of the deals, with financial sponsors and PE-backed companies accounting for 29% and 14% respectively

Finnish software companies continue to attract interest from other Nordic investors and international investors, accounting for 4 and 6 deals respectively

Significant deal activity across the Nordics from both financial and strategic investors

Selected Nordic software transactions



The Danish company EG, a portfolio company of Francisco Partners, continues its highly acquisitive strategy, completing an impressive 4 transactions in Q2-21



Ørn Software

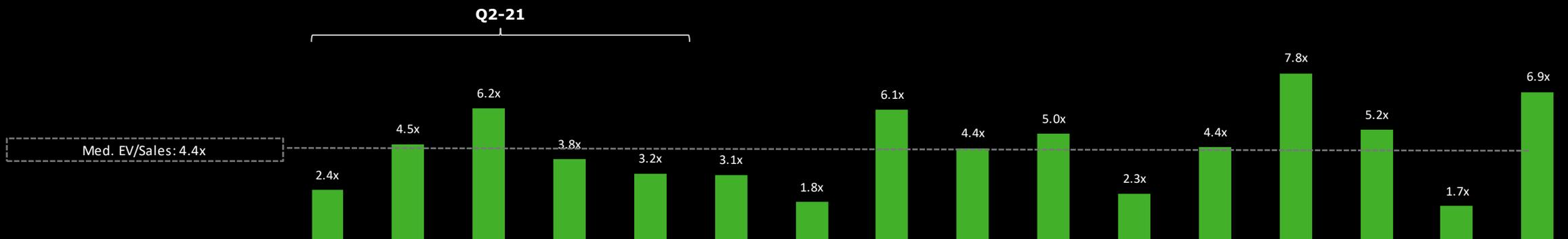
After going public on Euronext growth in Q1-21, Ørn Software made their first add-on acquisitions in Q2, acquiring Norway based Landax and Finish company Rapal at an EV of NOKm 95 and NOKm 374 respectively



Several high profiled transactions were completed in Q2-21, with the largest reported transaction being Hanover Investors cash offer for the shares in Zeta Display AB, valuing the company at an EV of EURm 93

Nordic software transactions concluded at a median EV/Sales multiple of 4.4x last twelve months

Transaction multiples



NOKm

Target

Country

Enterprise value

Year

Stake

Revenue (LFY)

EBITDA (LFY)

EBITDA-margin (LFY)

EBIT-margin (LFY)

Acquirer

	RAPAL		METODIKA		tieto <i>EVERY</i>		dib		GOTETHICS		TimeEdit		infodocID		actimo	
	ZETA DISPLAY	aspit		LANDAX		carmenta		avansoma		Loxysoft	Filemail		aptilo NETWORKS			
Country																
Enterprise value	971	384	411	111	98	1,616	156	329	123	104	157	152	74	271	149	229
Year	2021	2021	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020	2020	2020	2020	2020
Stake	96%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue (LFY)	405	85	67	29	31	521	84	54	28	21	70	37	9	52	89	33
EBITDA (LFY)	40	18	n.a	2	10	n.a	10	13	3	n.a	n.a	n.a	7	5	n.a	(1)
EBITDA-margin (LFY)	10 %	21 %	n.a	7 %	33 %	n.a	12 %	25 %	9 %	n.a	n.a	n.a	73 %	10 %	n.a	-4 %
EBIT-margin (LFY)	1 %	n.a	n.a	n.a	n.a	n.a	n.a	24 %	9 %	n.a	6 %	n.a	58 %	9 %	n.a	n.a
Acquirer	HANOVER INVESTORS	Ørn Software	CARASANT	Ørn Software	QUORUM BUSINESS SOLUTIONS INC.	KARNOV GROUP	EQS GROUP	M. MONTERRO	PatientSky	Kahoot!						
		nordhealth				CSPM	CARASANT	LeadDesk	Jottacloud	ENEAA						

02 IT services

03 IT services

13x

The Nordic IT services index traded at 13x next twelve-month EBITDA at the end of Q2, 3x above the 5-year average

11x

The Global IT services index traded at 11x next twelve-month EBITDA at the end of Q2, 1x above the 5-year average

19

A total of 19 transactions have been completed within the Nordic IT services space in Q2-2021

10x

Nordic IT services transactions concluded at a median EV/EBITDA multiple of ~10x LTM

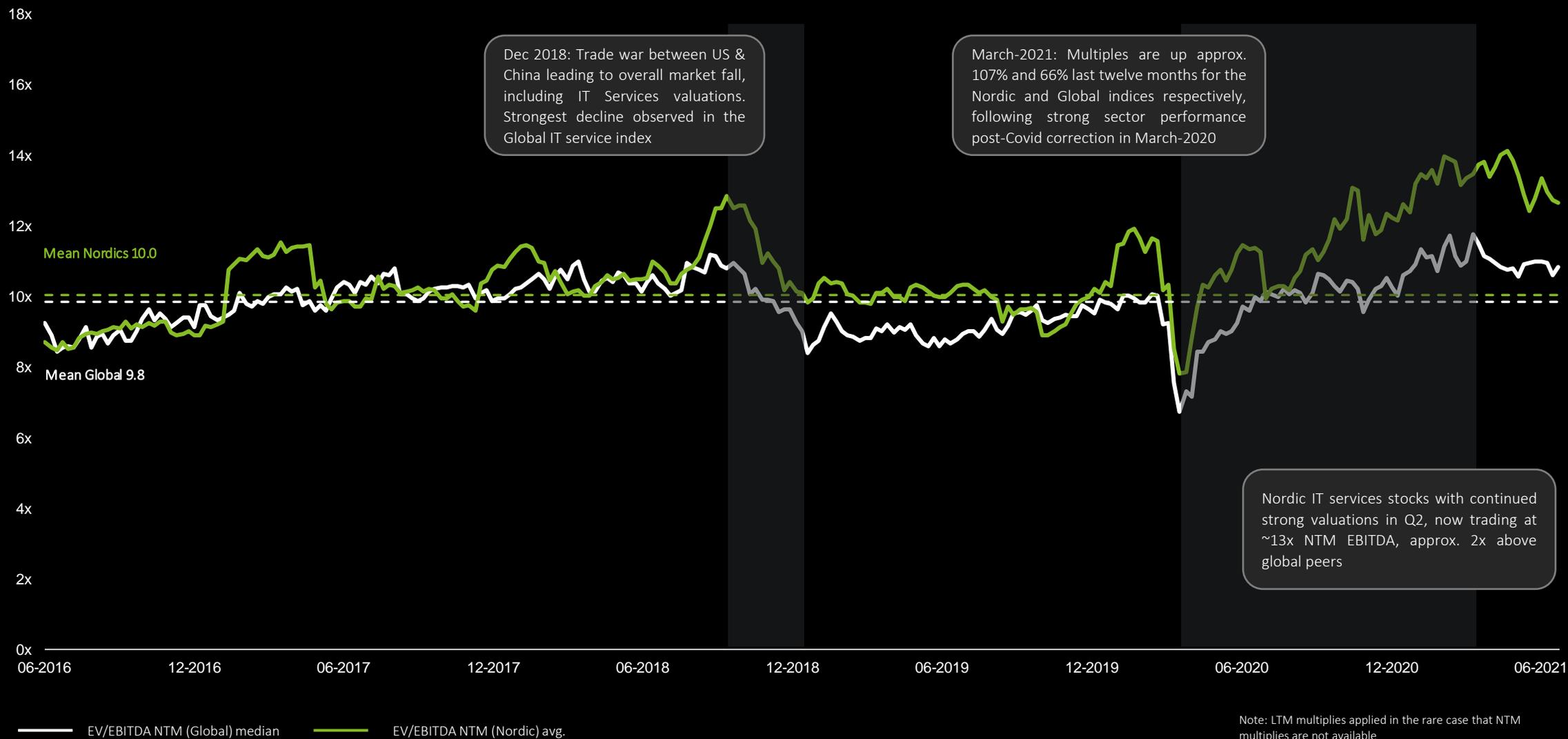
The Nordic IT services M&A market continues to perform strongly, trading at above-average historical multiples and with record high M&A deal activity

Both the Global and the Nordic IT services indices are trading above the 5-year average NTM EBITDA after a strong rebound from the Covid-19 dip in March 2020

M&A activity within the Nordic IT services industry reached record levels in Q2-21 with a total of 35 transactions. The total number of M&A transactions at the end of June 2021 is now 54, only one less than the total transaction volume in 2020

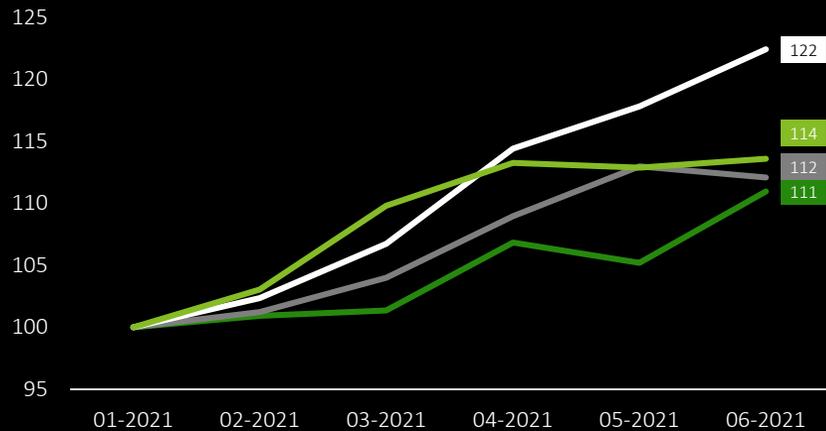
In the Nordics, strategic buyers and PE-backed companies continues to be highly acquisitive and were involved in 40% of the IT services transactions each, while financial investors accounted for 20%

For Q2-2021, the Nordic IT Services index ended at ~13x next twelve month EBITDA, while the Global IT Services index ended at ~11x next twelve-month EBITDA

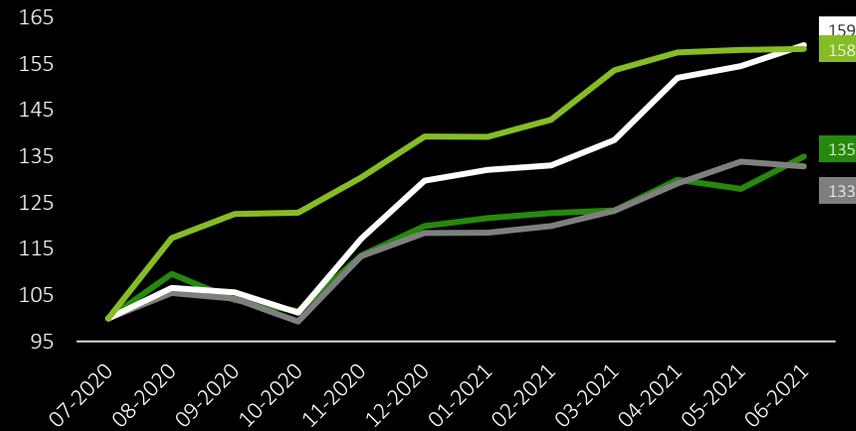


Strong performance last 6 months, the Nordic IT services index slightly outperforming the Nasdaq during the last five years

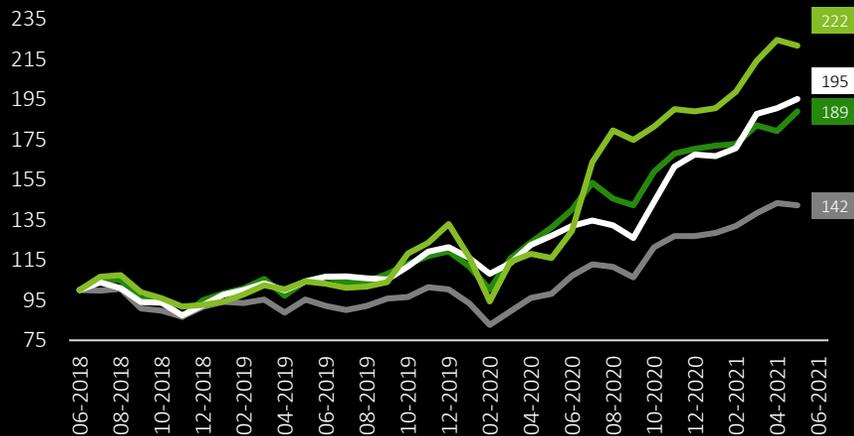
Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic - L6M



Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic- L12M



Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic - L3Y



Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic - L5Y



Deloitte Nordic IT services index | Deloitte Global IT services index | Nasdaq Composite | MSCI Nordic

Key take aways



Over the last five years the Nordic IT services index has slightly outperformed the Nasdaq, meanwhile the Global IT services index has under-performed Nasdaq during the same period



The IT services indices have outperformed the broader Nasdaq index both L12M and since the Covid-correction in March-2020, following strong IT sector performance



The overall strong performance of the IT Service indices underlines the continued strong demand for IT services companies

Record high deal volume within IT services across the Nordics in Q2-21

M&A Transaction volume

The IT services deal volume across the Nordic countries reached record levels in Q2-21



Norway

- M&A deal volume involving Norwegian targets in Q2-21 slightly higher compared to Q2-20
- Strategic companies accounted for 60% of the transactions in Q2-21, whilst PE-backed companies and financial sponsors completed 20% each
- Majority of transactions made by international and Swedish investors, completing 2 deals each in Q2

Sweden

- Q2-21 recorded a record high number of deals in a quarter in Sweden
- PE-backed companies accounted for 67% of the deals in Q2-21, with strategic investors and financial sponsors accounted for 25% and 8% respectively
- Swedish buyers completed the most deals in the quarter with 8 transactions whilst Norwegian investors completed 4

Denmark

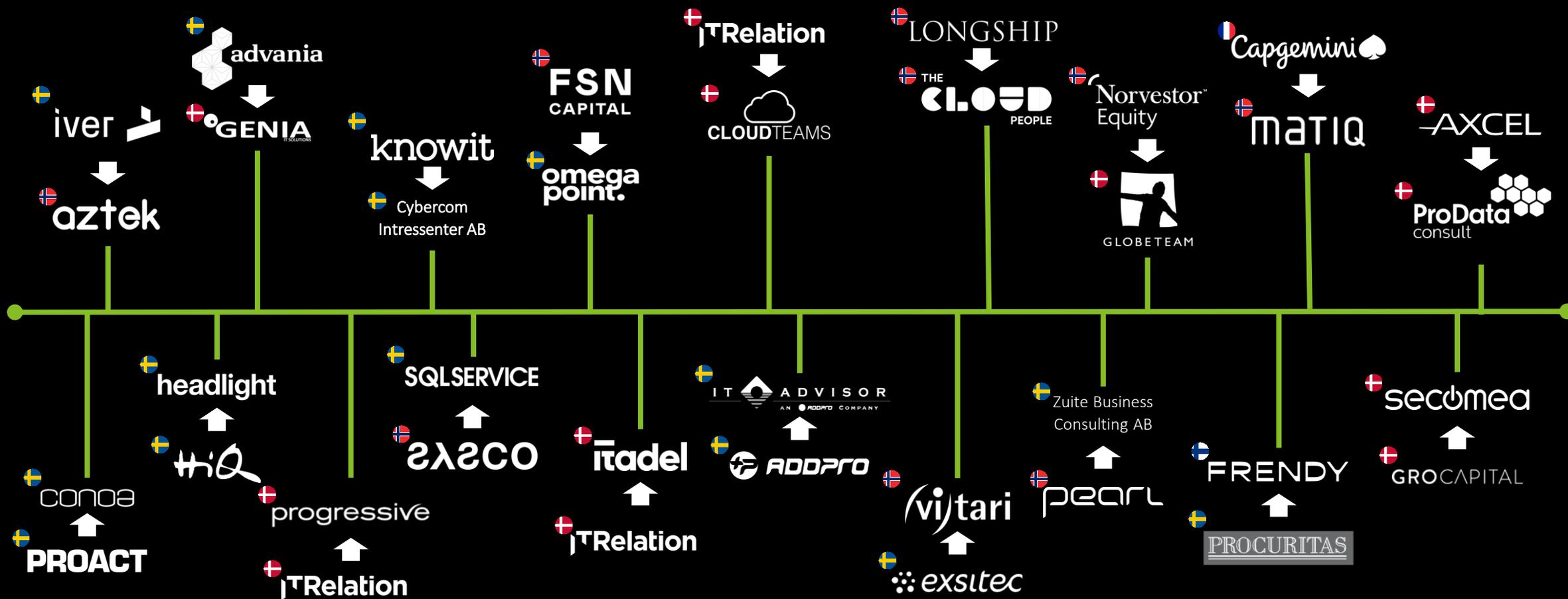
- Deal activity in a quarter reached record highs in Q2 with 11 transactions, only 3 less than the total amount of IT services transactions recorded in 2020
- PE-backed companies and strategic investors accounted for 36% of the deals each, with financial sponsors completing 27% of the transactions
- Swedish buyers completed the most deals in the quarter with 7 transactions, whilst other Nordic and international investors completed 3 and 1 deal respectively

Finland

- The number of transactions involving Finnish IT services companies reached record highs in Q2-21
- Strategic investors completed 57% of the deals whilst PE-backed companies and PE investors accounted for 30% and 10% respectively
- Finnish investors continue to complete most of the deals in Finland, similar to deals completed LTM prior, with 6 transactions completed in Q2-21

Acquisitions in the Nordic IT services market in Q2-21 were primarily completed by Nordic investors

Selected Nordic IT services transactions



ITRelation

The Danish company IT Relation, a portfolio company of HG Capital, continues its highly acquisitive strategy, completing an impressive 3 transactions in Q2-21

knowit

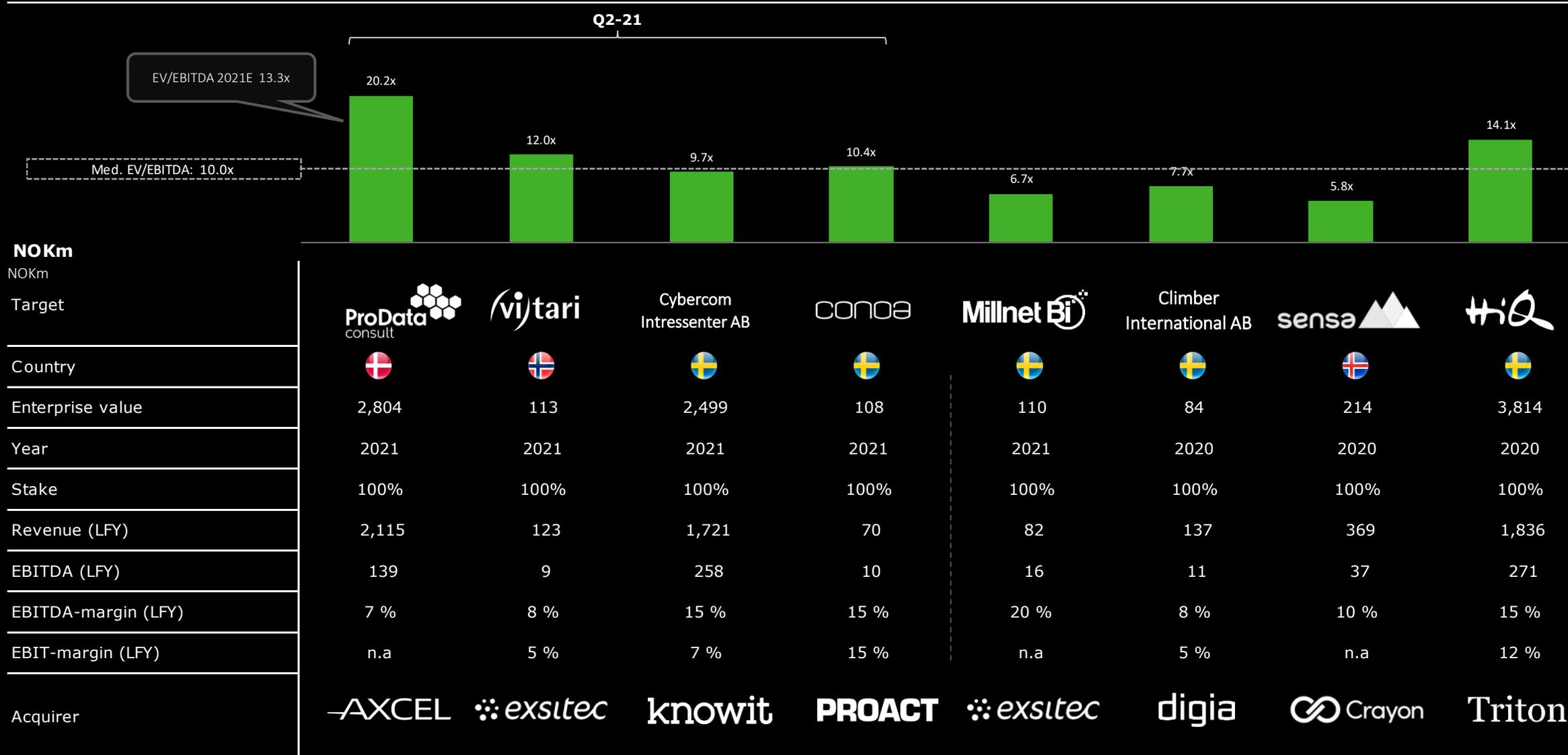
Knowit's acquisition of Cybercom Intressenter AB, a Sweden-based IT consultancy company, was a notable transaction within the Nordic IT services space at an EV of EURm 240

AXCEL

The largest reported transaction within the Nordic IT services market in Q2-21 was Axcel's acquisition of ProData Consult, valuing the company at an EV of EURm 269

Nordic IT services transactions concluded at a median EV/EBITDA multiple of ~10x LTM

Transaction multiples



03 Deloitte Insights

Deloitte Corporate Finance acted as exclusive financial adviser to Front Systems in the sale to EG

Case study

Description of the transaction

Background

- Front Systems AS was founded in 2007 by a group of individuals with substantial experience within fashion retail and software
- The Company is a Nordic SaaS company specialized in business-critical POS software enabling a true unified commerce experience
- The software is a cloud native unified commerce platform and iOS app, integrating with leading 3rd party ERP, CRM, eCOM and other unified commerce software in one solution, providing real time information across all channels
- In 2020, Front Systems processed 17% of the transactions in the Norwegian fashion retail market and is used in 800+ stores across Europe and the Middle-East

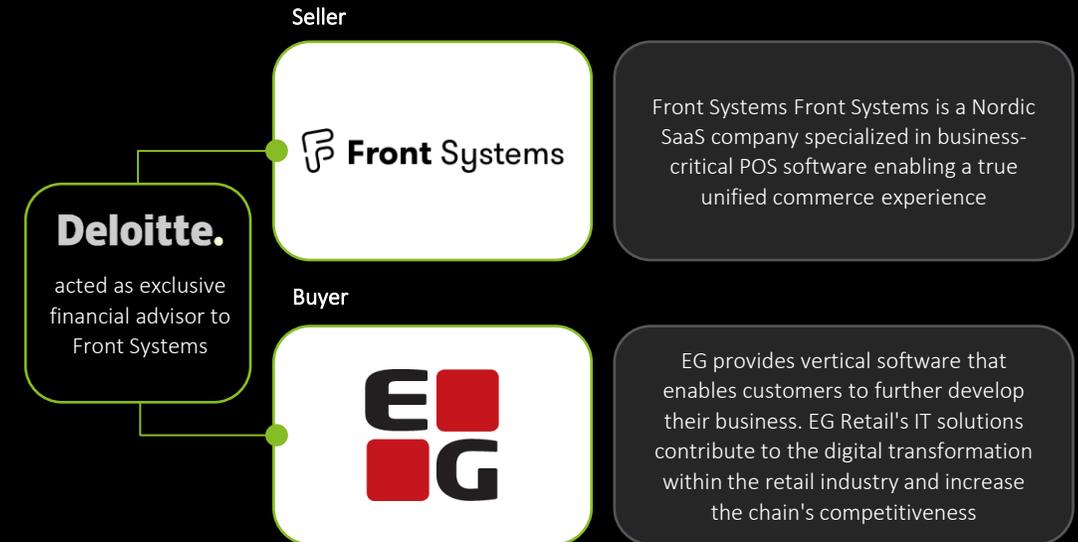
Situation

- Following a period of significant growth and software development, the owners of Front Systems decided to explore the opportunity to find a partner to support an accelerated expansion to international markets

Outcome

- In May-21, the owners signed an agreement to sell the Company to EG AS, a Nordic vertical software provider owned by US private equity firm Francisco Partners
- Deloitte Corporate Finance Norway acted as exclusive financial advisor to the shareholders of Front Systems

Transaction overview



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