

M&A sector report
Nordic software and IT services market

Q3-2023

Letter from the editors

The M&A activity level in the Nordics remained high in Q3-23, recording a total of 88 transactions within software and IT services.

The number of software transactions in Q3-23 concluded at 73, a decrease from the 95 deals recorded in Q2-23. However, the 73 transactions recorded in Q3-23 is the most active Q3 in the software space since 2016 (the historical period covered in this report).

In the Nordic IT services transaction market, 15 deals were recorded, down from 21 deals completed in Q2-23.

By recent transactions as per end of Q3-23 (L12M), the Nordic M&A software pricing level is at a median EV/Sales multiple of 6.2x. For IT services, the current pricing level is at a median EV/EBITDA of 12.0x. Several recent transactions within the software space has been bids to acquire listed companies at high multiples (we have included relevant data for actual acquired stakes as of early October).

SaaS multiple valuations stabilised for Global and Nordic stocks during the quarter, increasing somewhat vs. Q2-23. The NTM EV/Sales valuations for the Deloitte Nordic SaaS index concluded at 3.3x, below the L5Y mean of 5.1x. The Deloitte Global SaaS index concluded at 5.0x NTM Sales, below the L5Y mean of 8.5x.

Global IT services stocks valuations increased over the quarter, trading at 10.0x EV/NTM EBITDA. Nordic IT services stocks valuations remained flat over the quarter, trading at 7.6x EV/NTM EBITDA.

Please note that per Q3-23, the Nordic and Global SaaS and IT service indices compositions have been updated to reflect delistings, IPOs and other relevant considerations.

The Q3-23 report reflects transactions involving a Nordic target registered by Mergermarket, as well as our transaction experience and insights. Deal volume is based on Mergermarket industry categories computer software and computer services.



Nordic SaaS trading multiples at 3.3x NTM EV/Sales



Continued strong software and deal volume



Nordic IT services index trading at 7.6x NTM EV/EBITDA



Nordic software transactions LTM EV/Sales of 6.2x



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01 Software

01 Software

Key statistics Q3 2023

73

transactions completed within the Nordic software space

The Nordic SaaS index traded at

3.3x

NTM sales at quarter-end Q3

The Global SaaS index traded at

5.0x

NTM sales at quarter-end Q3

1st

Highest deal volume in Q3 since 2016¹

The Nordic SaaS index decreased

(6.6)%

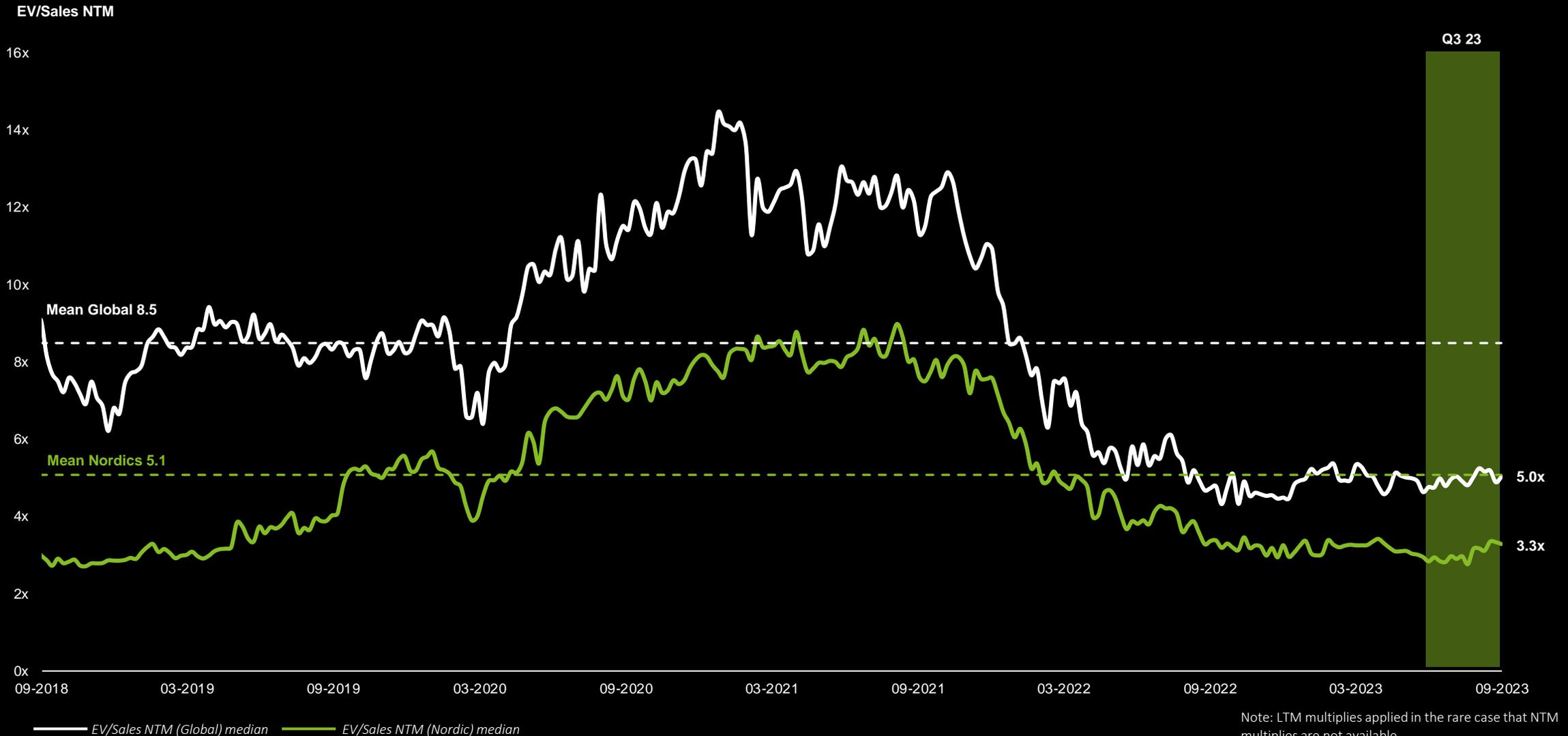
in the quarter

6.2x

LTM Nordic software transaction EV/Sales multiples median²

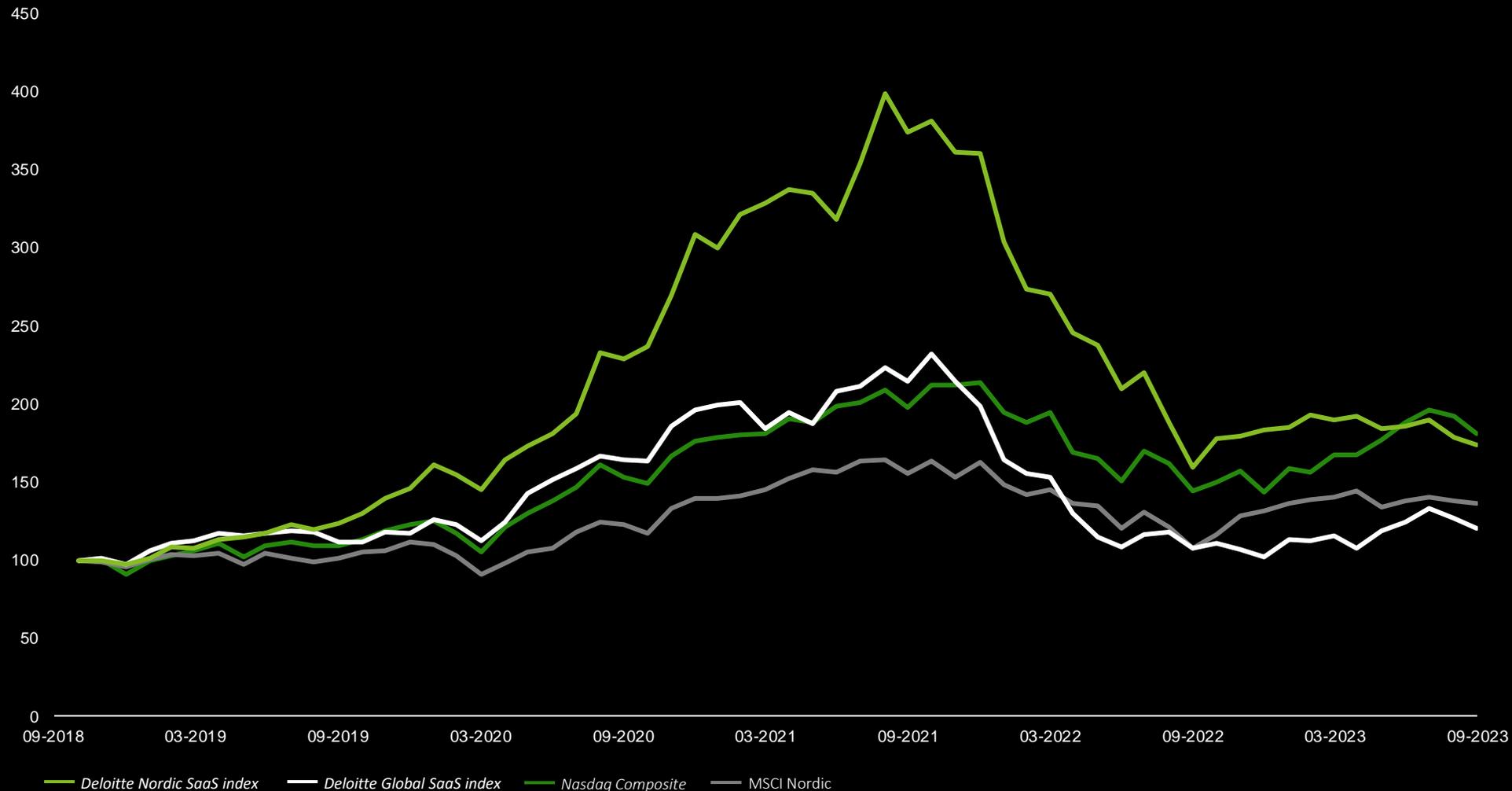
Notes: 1) Start of historical lookback-period for this report. 2) Transactions last 12 months with available data

Software multiple valuations on the rise in Q3-23, with the Nordic SaaS index ending at ~3.3x whilst the global index ended at ~5.0x NTM EV/Sales. Both indices trading under 5Y mean



Nordic and Global SaaS indices declining in Q3-23, but share price development has stabilised after significant decline from Q3-21 to Q3-22

Various indices (startpoint: 100)



Endpoints:

Nasdaq Composite	L3M: -4.1%
	L6M: 8.2%
	LTM: 25.0%
181	

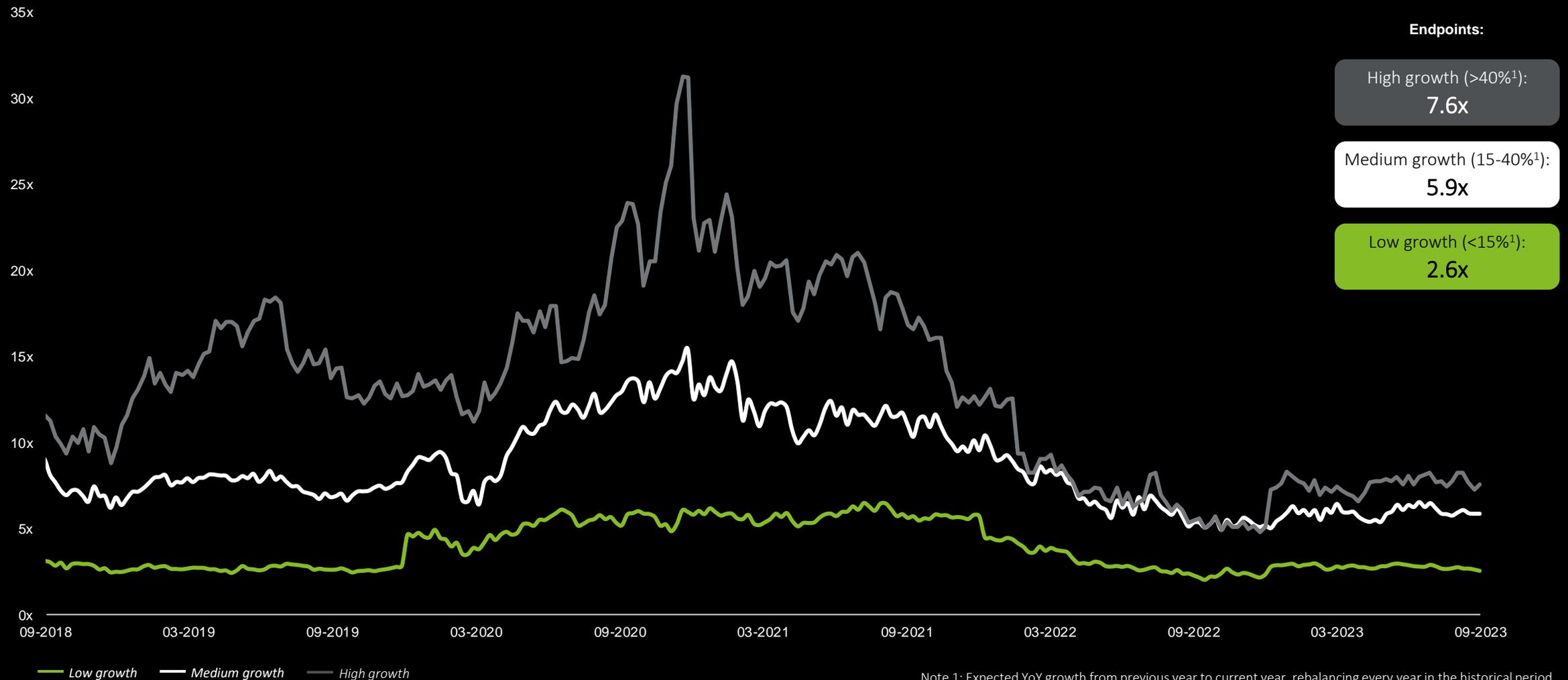
Deloitte Nordic SaaS index	L3M: -6.6%
	L6M: 8.5%
	LTM: 8.8%
174	

MSCI Nordic	L3M: -1.4%
	L6M: -3.2%
	LTM: 26.3%
136	

Deloitte Global SaaS index	L3M: -3.5%
	L6M: 3.8%
	LTM: 12.1%
120	

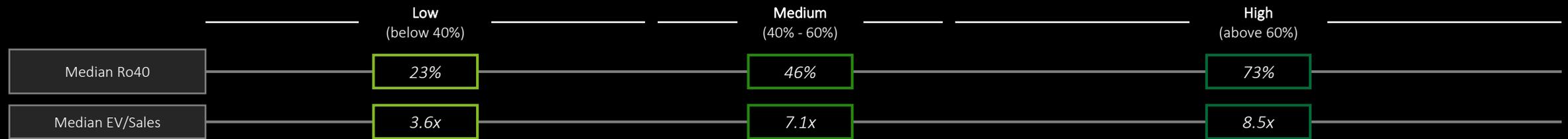
High growth multiples increasingly trading above medium growth SaaS companies; low growth companies trading at a sizeable discount compared to high and medium growth SaaS companies

EV/Sales development for low, medium and high growth selections of global software companies

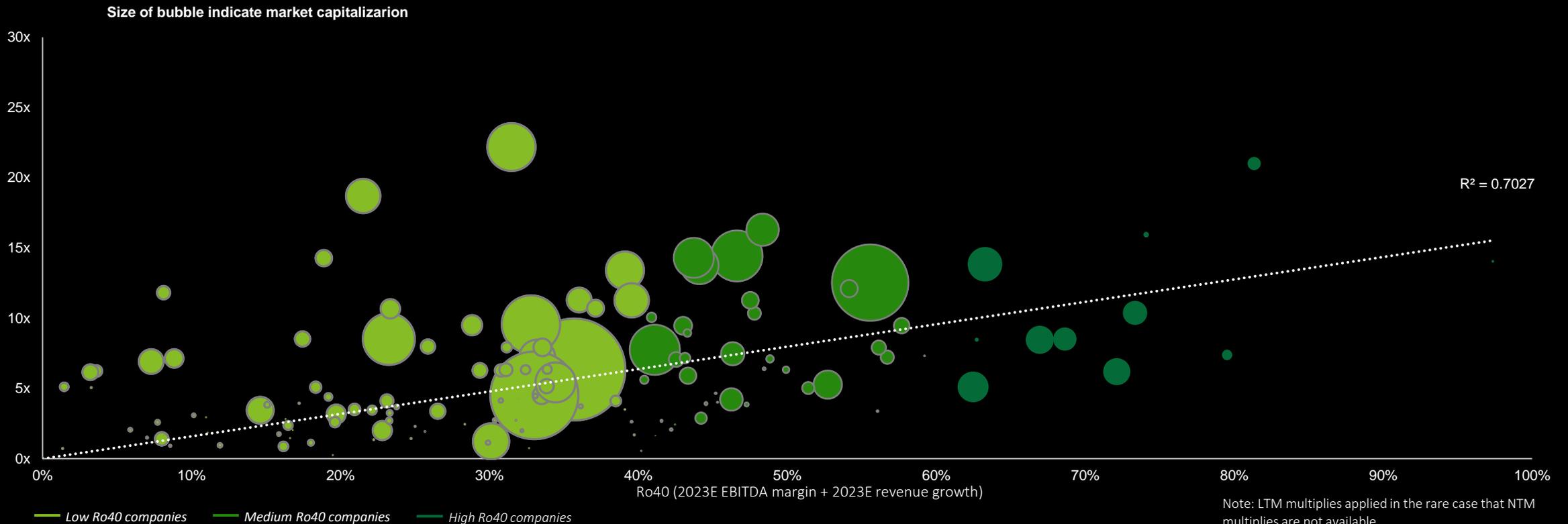


Note 1: Expected YoY growth from previous year to current year, rebalancing every year in the historical period

Rule of 40 metric (low, medium and high Ro40 categories) explaining valuation premiums for global software companies



EV/Sales (2023e)



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

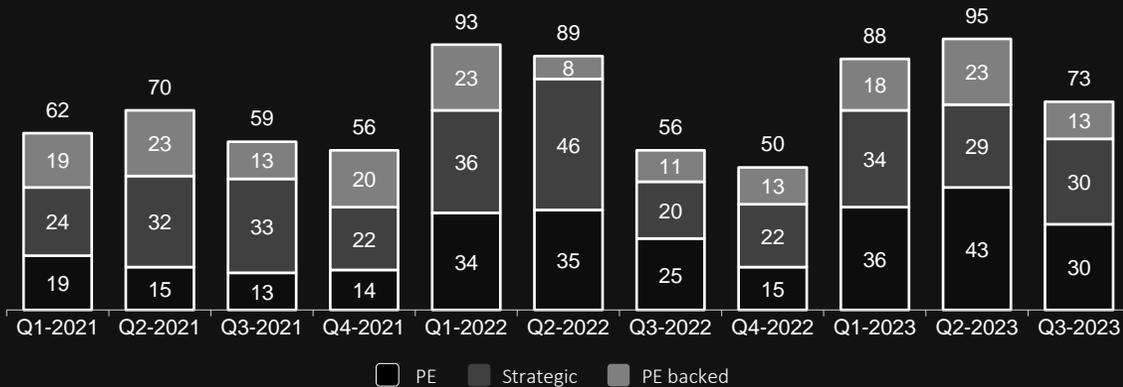
Deal volume increased in Q3-23 compared to Q3-22

Deal volume across the Nordic countries within software (target region)¹



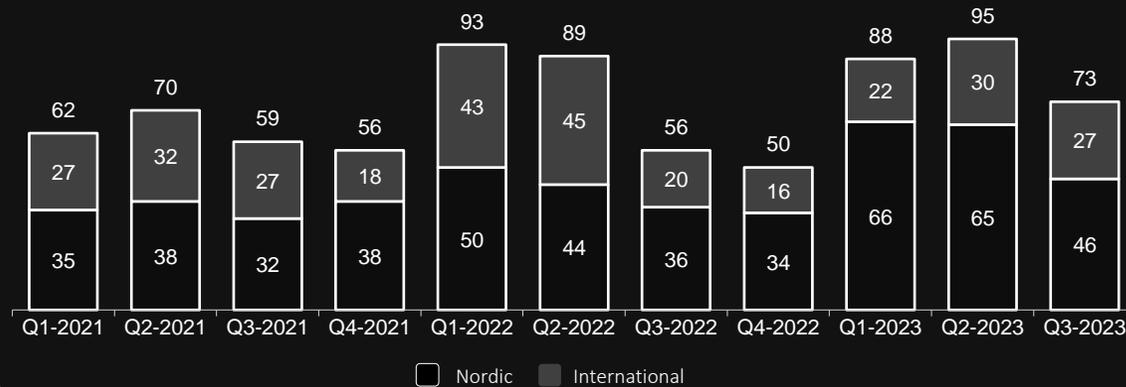
Continued high M&A activity for strategic and financial investors during Q3

Type of buyer



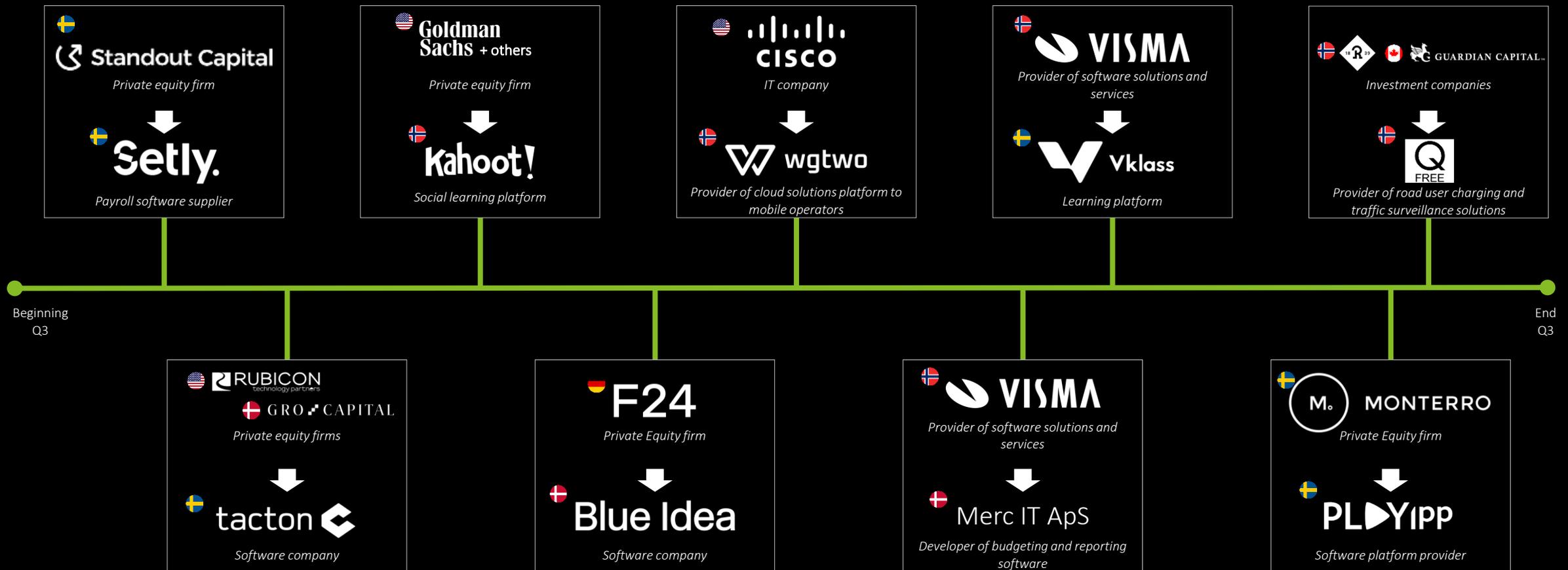
Majority of Nordic buyers of Nordic software companies in Q3

Region of buyer

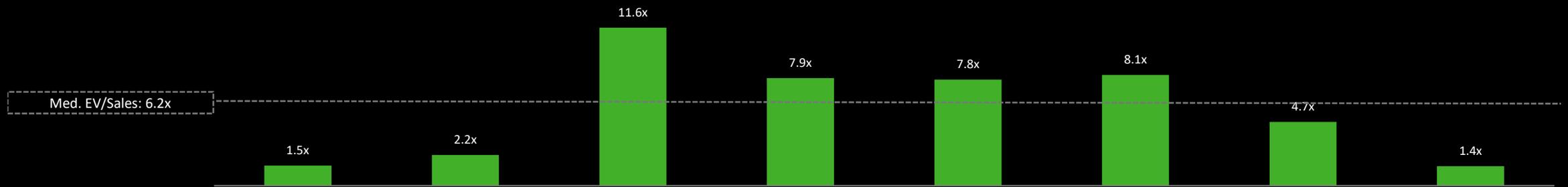


Note: 1) Deal volume based on Mergermarket industry category «computer software»

Selected transactions in the Nordic software market in Q3-23



Selected Nordic software transactions concluded at a median multiple of 6.2x EV/Sales LTM



NOKm

Target								
Country								
Enterprise value	1,423 ¹⁾	211	16,255 ²⁾	428	41,603	59	437	5,966
Year	2023	2023	2023	2023	2023	2023	2023	2023
Stake	63 %	27%	69 %	100%	100%	100%	14%	100%
Revenue (LFY)	934	95	1,455	55	5,353	7	94	4,605
EBITDA (LFY)	63	(17)	2	(55)	1,226	(5)	(14)	(331)
EBITDA-margin (LFY)	7 %	-18 %	0 %	-100 %	23 %	-70 %	-15 %	-7 %
EBIT-margin (LFY)	3 %	-28 %	-4 %	-101 %	20 %	-89 %	-17 %	-13 %
Acquirer		Existing management	Goldman Sachs + others				Viking Venture Management AS	

Notes: 1) Bid on listed company, reflects acquired stake as at 03.10.23. 2) Bid on listed company, reflects updated accept rate as at 28.09.23

02 IT services

02 IT services

Key statistics Q3 2023

15

transactions completed within the Nordic IT services space

The Nordic IT services index traded at

7.6x

NTM sales at quarter-end Q3

The Global IT services index traded at

10.0x

NTM sales at quarter-end Q3

The Nordic IT services index increased

5.8%

over the last twelve months

The Nordic IT services index decreased

(13.0)%

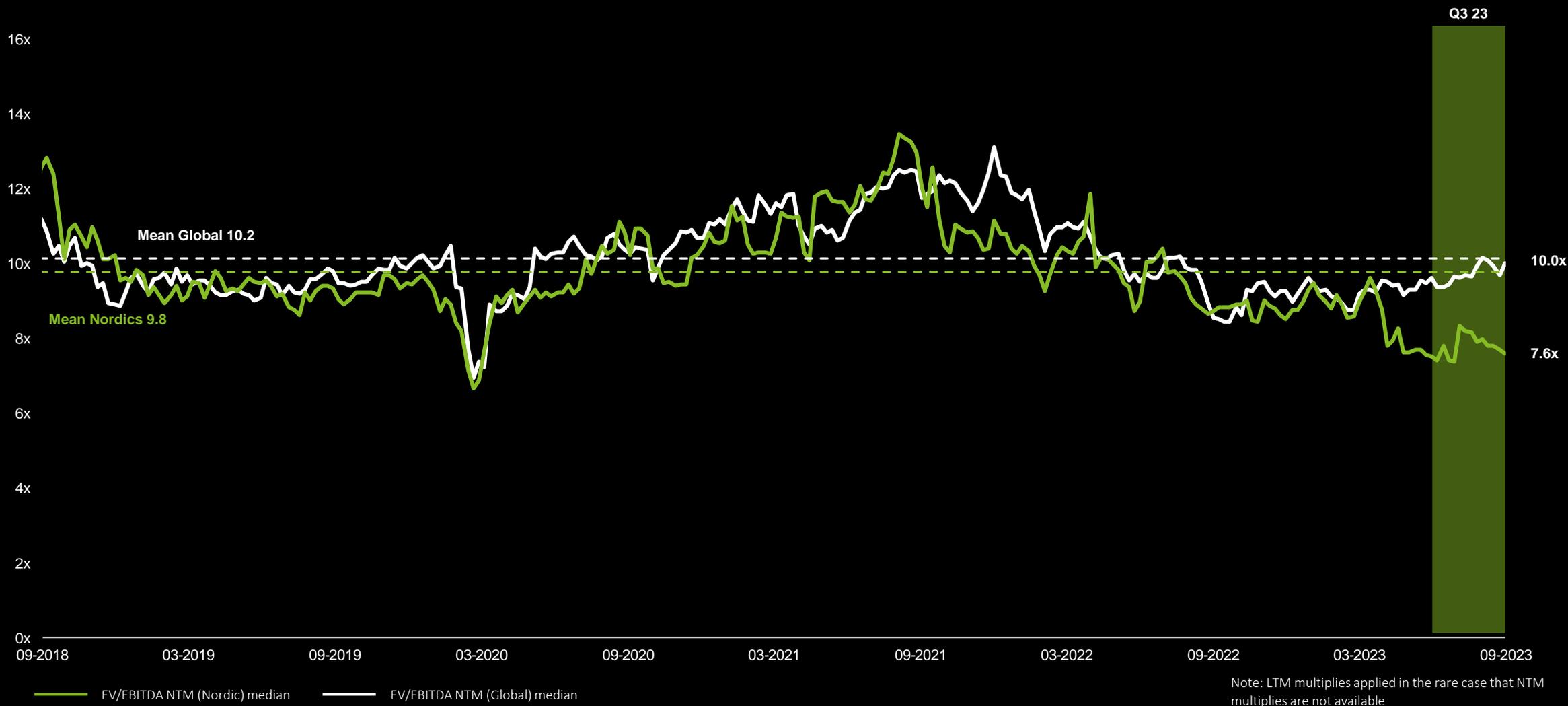
in the quarter

12.0x

Nordic IT services transaction EV/Sales multiples median¹

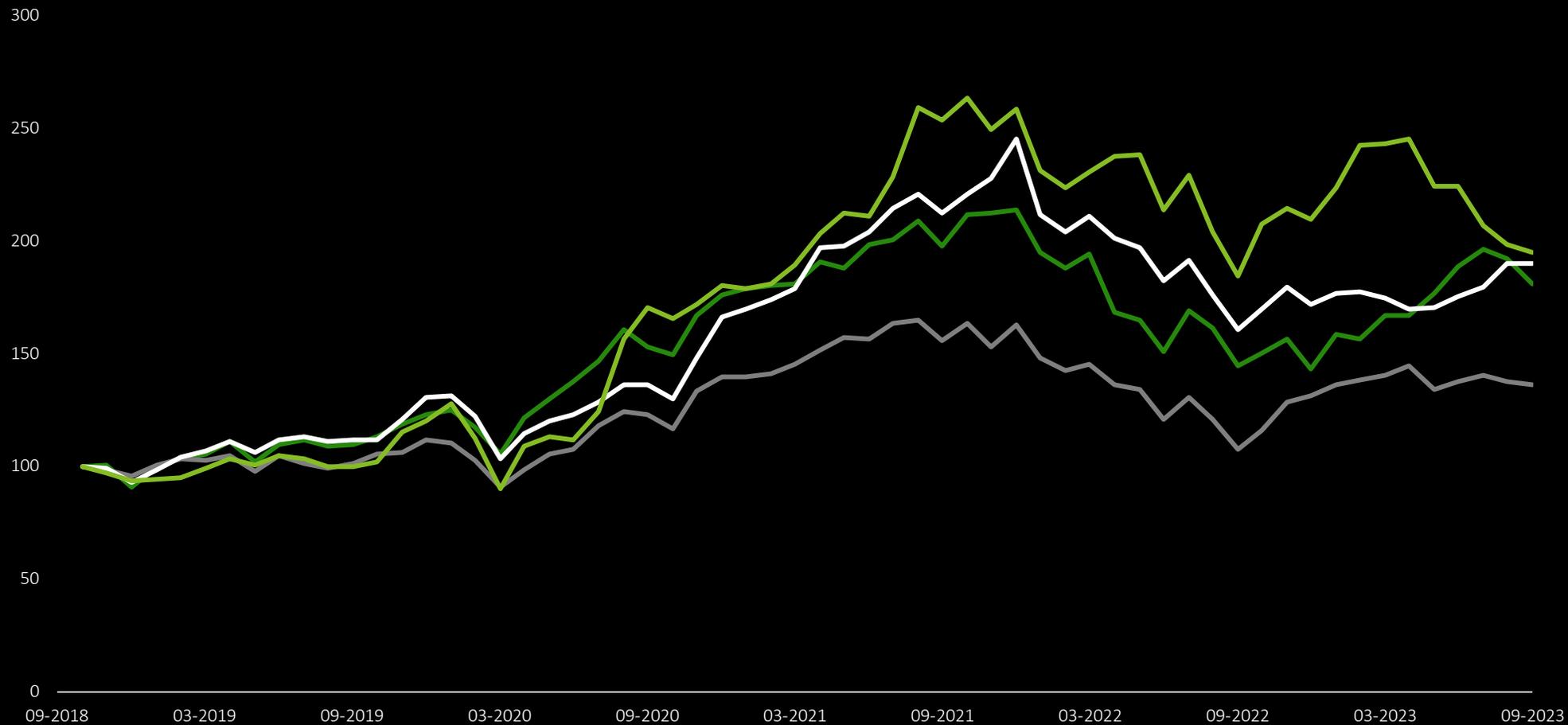
Note: 1) Selected recent transactions recorded with available data

For Q3-23, the Nordic IT Services index ended at ~7.6x next twelve month EBITDA. The Global IT Services index ended at ~10.0x next twelve-month EBITDA, around the 5Y mean



Slow quarter for the Nordic IT services index, down -13.0% L3M. The Global IT services index up 8.4%

Various indices (startpoint: 100)



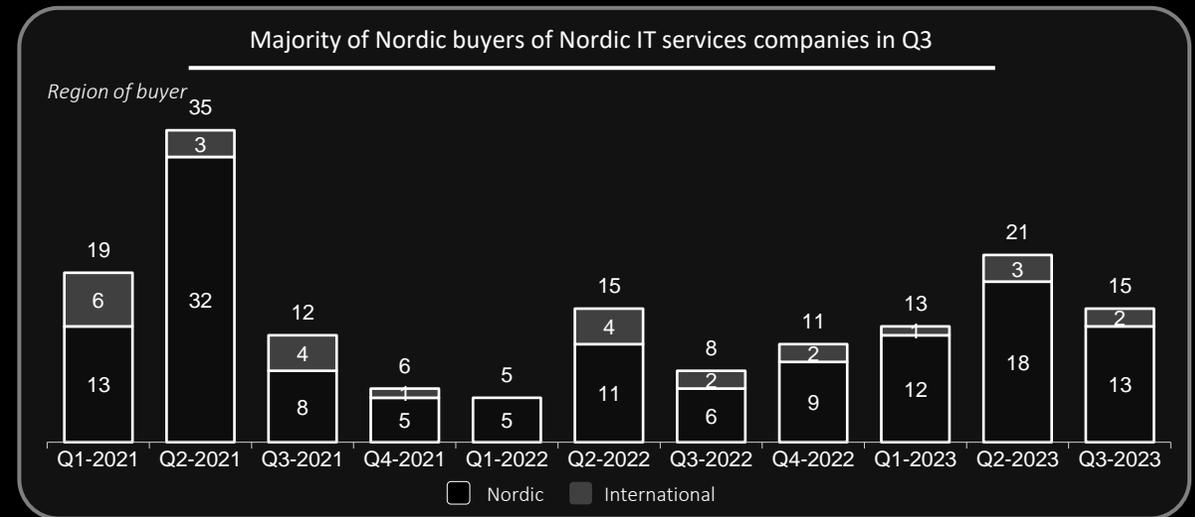
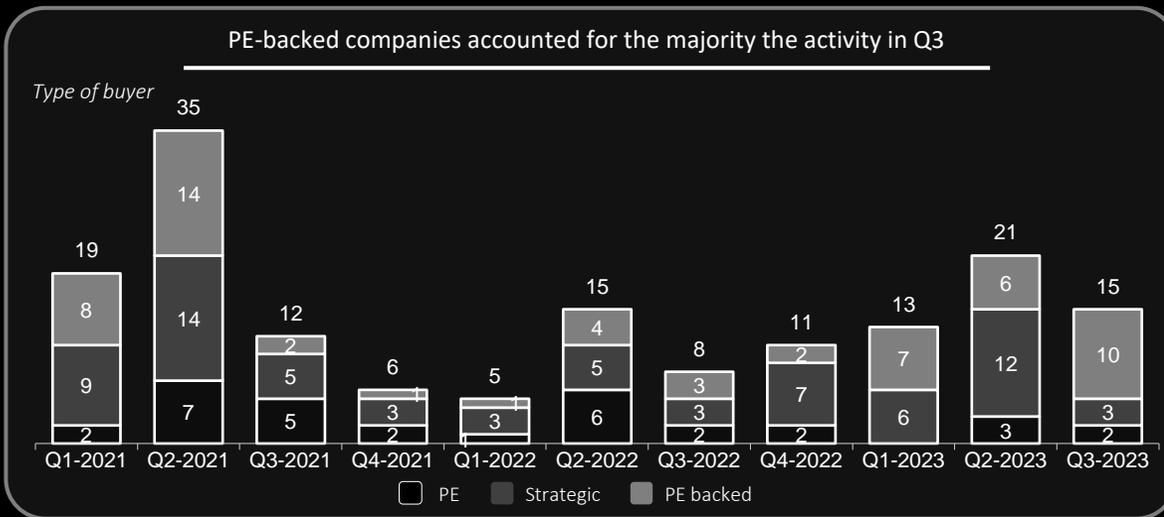
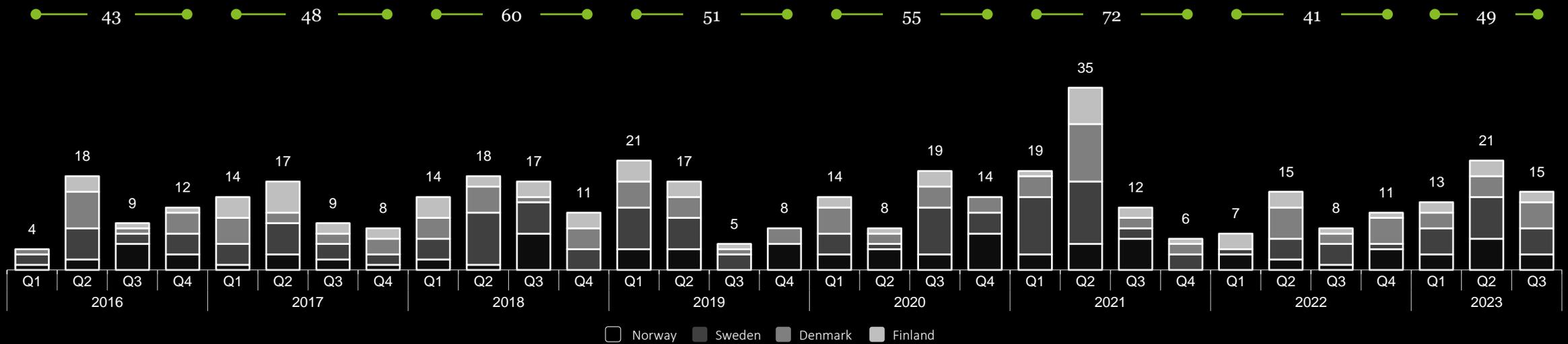
Endpoints:

Deloitte Nordic IT Serv. index 195	L3M: -13.0% L6M: -19.9% LTM: 5.8%
Deloitte Global IT Serv. index 190	L3M: 8.4% L6M: 8.9% LTM: 18.3%
Nasdaq Composite 181	L3M: -4.1% L6M: 8.2% LTM: 25.0%
MSCI Nordic 136	L3M: -1.4% L6M: -3.2% LTM: 26.3%

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

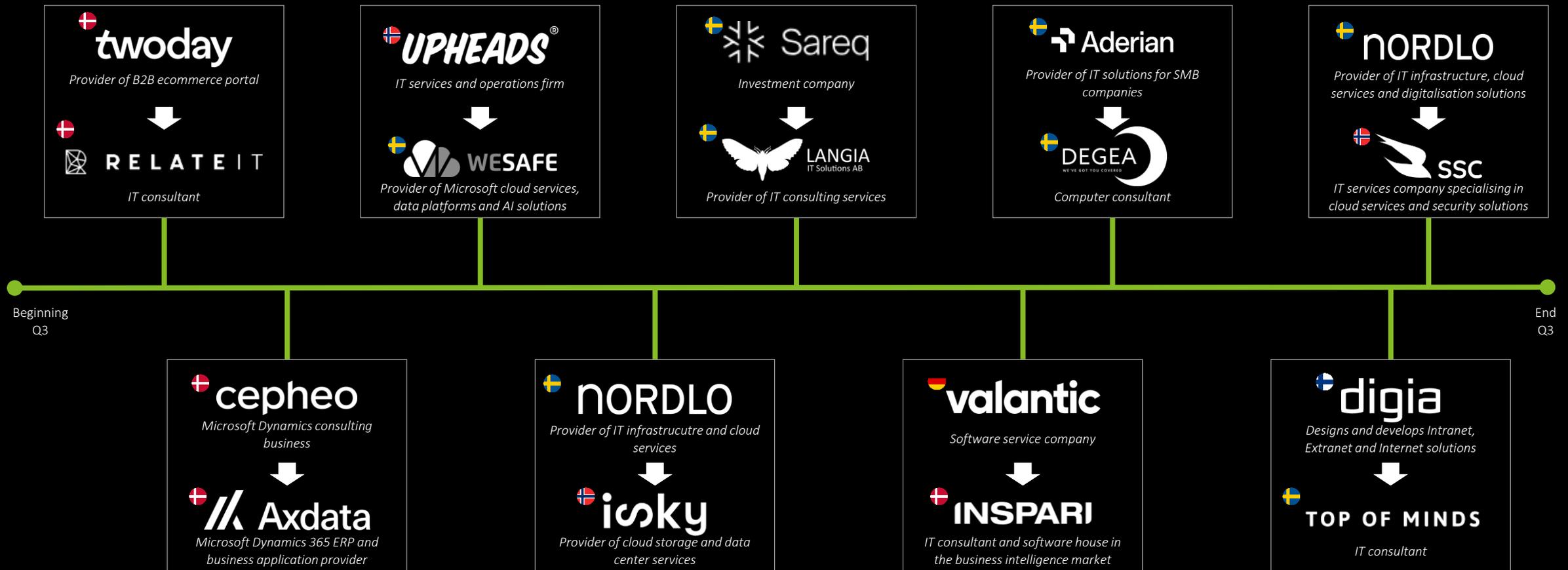
Deal volume decreased in Q3 compared to previous quarter

Deal volume across the Nordic countries within IT services (target region)¹

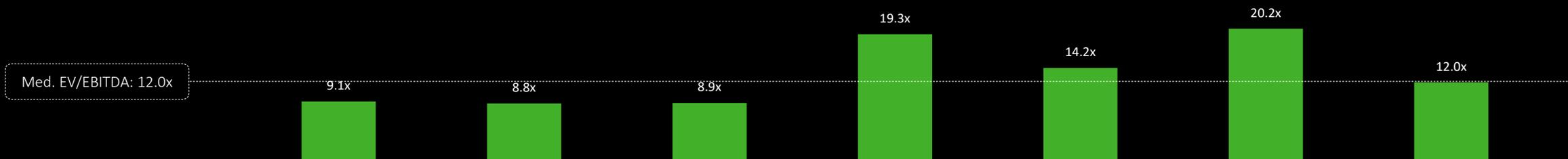


Note: 1) Deal volume based on Mergermarket industry category «computer services»

Selected transactions in the Nordic software market in Q3-23



Selected recent Nordic IT services transactions concluded at a median EV/EBITDA multiple of 12.0x



NOKm

Target

Country

Enterprise value

Year

Stake

Revenue (LFY)

EBITDA (LFY)

EBITDA-margin (LFY)

EBIT-margin (LFY)

Acquirer

i1 Buutti



93

2023

100%

86

10

12 %

n.a

netum

Creanex



46

2023

100%

43

5

12 %

n.a

GOFORE

AMITEC



125

2022

100%

42

14

33 %

n.a

ØGREID



458

2022

100%

73

24

32 %

31 %

Adelis Equity



66

2021

100%

33

5

14 %

14 %

netum



2 491

2021

100%

1 879

124

7 %

n.a

AXCEL

vi)tari



100

2021

100%

110

8

8 %

5 %

exsitec

03 Deloitte Insights

Deloitte is one of the most active advisors within the TMT sector in the Nordics

  <p>sold to</p> <p>Teledyne Technologies</p>	  <p>sold to</p> <p>CapMan</p>	  <p>In the sale of</p> <p>Obsidian Group to Findos</p>	  <p>In the merger with</p> <p>Netsecurity</p>	  <p>sold to</p> <p>Insightsoftware</p>	  <p>acquired by</p> <p>Infranode</p>	  <p>sold to</p> <p>Accent Equity</p>
<p>Deloitte.</p> <p>acted as exclusive financial adviser to Xena Networks</p>  <p>Broad process</p> <p><i>High-speed TbE performance test solutions</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to Fuzion</p>  <p>Broad process</p> <p><i>Data centre colocation provider</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to Capidea</p>  <p>Broad process</p> <p><i>Danish digital marketing company</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to Data Equipment</p>  <p>Broad process</p> <p><i>Norwegian IT security and network provider</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to Power ON</p>  <p>Broad process</p> <p><i>Software development company</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to Infranode</p>  <p>Broad process</p> <p><i>Infrastructure company</i></p>	<p>Deloitte.</p> <p>acted as exclusive financial adviser to CataCap</p>  <p>Broad process</p> <p><i>Danish logistic software and system integrator</i></p>

Deloitte Corporate Finance acted as exclusive financial adviser to the shareholders of Xena Networks in the sale to the US-based tech conglomerate Teledyne Technologies (NYSE:TDY)

Description of the process

Situation



The sale of Xena Networks was a result of an internal strategic review leading to the shareholders looking to find the optimal partner for executing the future scale-up journey of the company



Xena Networks has in recent years invested significantly in R&D to successfully grow its product offering within high-speed Ethernet test products. To harvest the full potential of expected demand for Terabit Ethernet test solutions Xena aimed for a global partner

Outcome

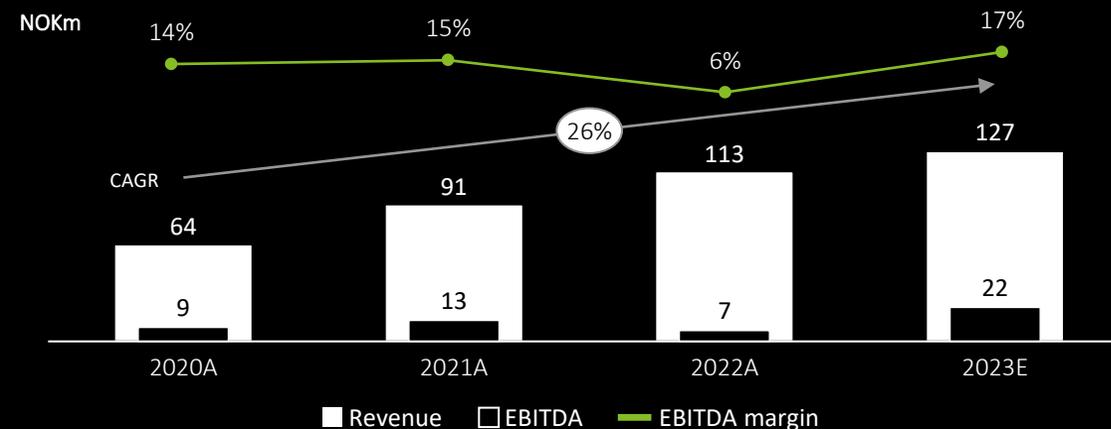


In October 2023, Xena Networks and Teledyne Technologies signed an agreement for Teledyne Technologies to acquire 100% of the shares in Xena Networks, thereby adding Xena Networks market leading products to the strong platform of Teledyne Technologies



Deloitte Corporate Finance acted as exclusive financial advisor to the shareholders of Xena Networks in the process

Financials - Xena Networks



Transaction summary

Transaction entity



Provider of industry-leading Ethernet traffic generation and analysis, and network impairment solutions with focus on OSI model Layers 1-4 testing

Buyer



Leading manufacturer of advanced protocol analyzers, oscilloscopes, and test instruments that verify performance, validate compliance, and debug electronic systems

Acquisition



Combined entity with strengthened position as market leader in the protocol test market supported by truly international reach

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