



M&A sector report
Nordic software and IT services transaction market

Q3-2022

Letter from the editors

The M&A activity level in the Nordics slowed down in the third quarter of 2022, recording a total of 64 transactions within software and IT services.

The number of software transactions in Q3-22 concluded at 56, down from the 89 deals recorded in Q2-22, but on par with levels seen in Q4-21.

The Nordic IT services transaction market also declined in the last quarter, with 8 deals being recorded in Q3-22, down from 15 deals recorded in Q2-22.

The M&A pricing levels within software increased over the last quarter with a median EV/Sales multiple of ~3.9x for the last twelve months as per end of Q3-22. For IT services, the pricing level is at a median EV/EBITDA of 11.2x.

SaaS multiple valuations continued the downturn in Q3-22, driven by inflation and interest rates still increasing and the sentiment shift from growth to value shares. The NTM sales valuations for the Deloitte Nordic index concluded at 5.9, whilst the Global SaaS index concluded at 5.2x. This is significantly below the multiples seen over the course of the last year. Peak EV/Sales valuations for the two indices, which was seen in Q1-21, was at levels around 18x and 13x NTM Sales for the Global and Nordic indices respectively.

The IT services shares also experience a downturn in valuations in Q3-2022, albeit significantly less than the software shares, trading at ~8x EV/NTM EBITDA and ~9x EV/NTM EBITDA for the Deloitte Nordic and Global indices respectively.

The Q2-2022 report reflects transactions involving a Nordic target registered by Mergermarket, as well as our transaction experience and insights.



*Nordic SaaS trading multiples
at ~6x NTM EV/Sales*



*Continued strong software deal
volume*



*Nordic IT services index
trading at ~8x NTM EV/EBITDA*



*Nordic software transactions
LTM EV/Sales of ~4x*



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01 Software

01 Software

56

Still high deal activity in Q3 2022 with a total of 56 transactions completed within the Nordic SaaS space. This is however significantly down from record high volumes seen in the previous two quarters in 2022

5x

The Global SaaS index traded at ~5x next twelve-month sales at the end of Q3 , significantly lower than the 5-year average of ~11x NTM sales

6x

The Nordic SaaS index traded at ~6x next twelve-month sales as at quarter-end Q3, slightly lower than the 5-year average

4x

Nordic software transactions concluded at a median EV/Sales multiple of ~4x for the last twelve months

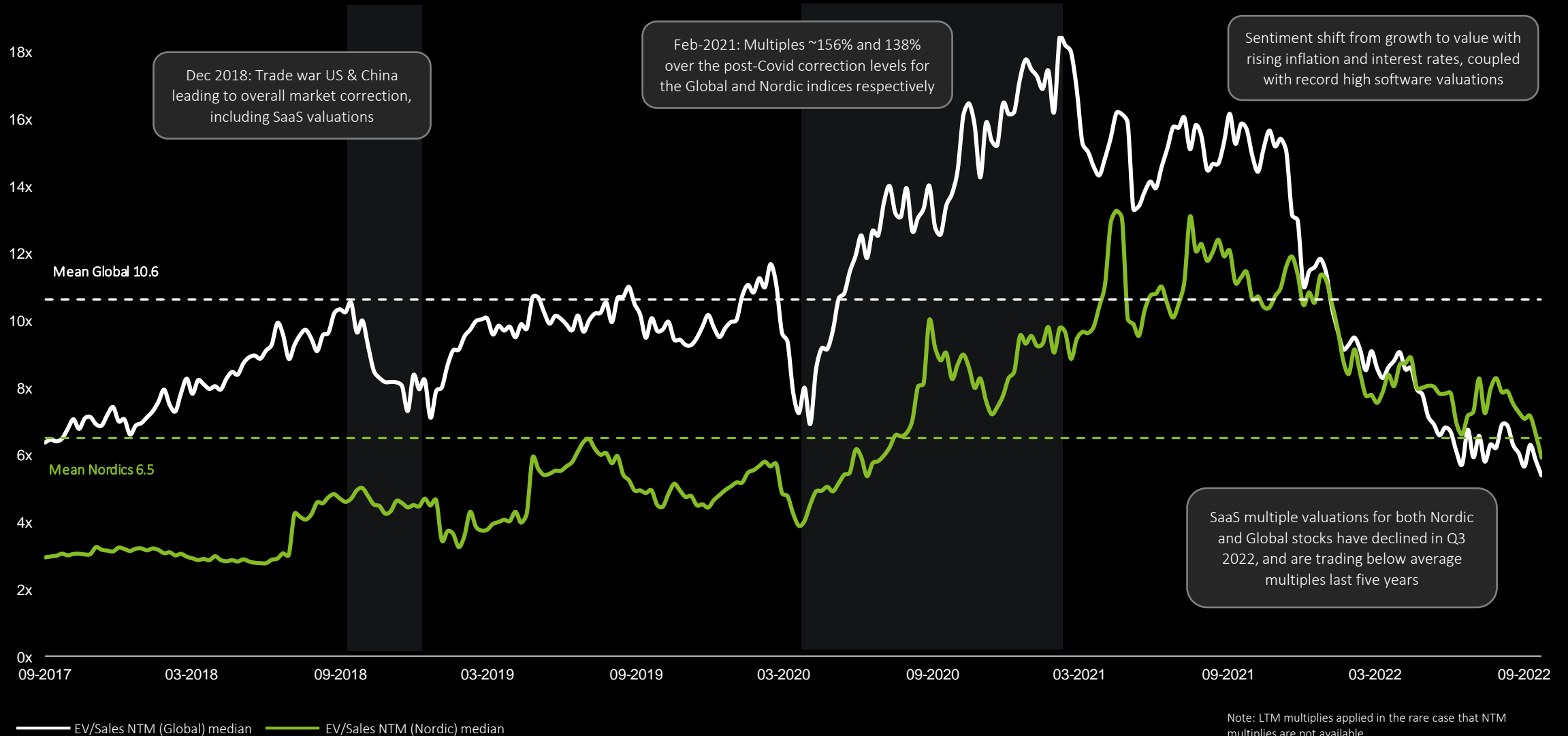
Deal volume slowed down in the Nordic software M&A market in the third quarter of 2022, however the activity is still high from a historical perspective

Listed software company valuations took another hit in Q3 2022, from previous record high levels, and are trading below last five year average EV/Sales multiples

Nordic transaction multiples have somewhat increased, and available transaction data showcase a median EV/Sales multiple last twelve months of ~4x Sales

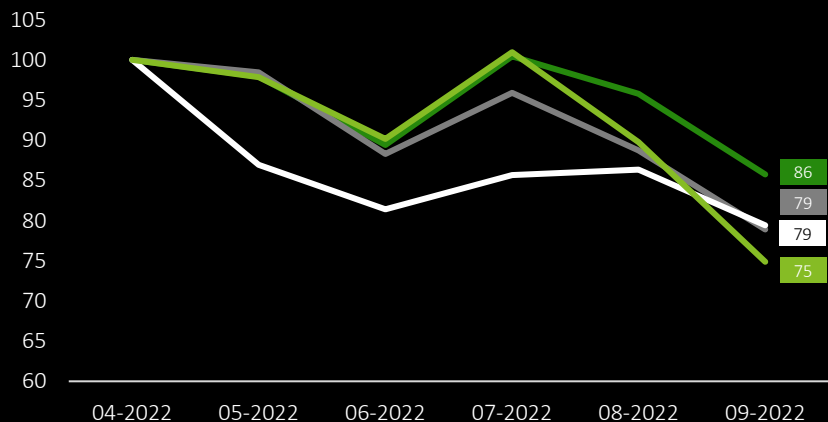
Both financial and strategic investors were highly acquisitive, accounting for 36 and 20 of the deals completed

The decline in software multiple valuations continued in Q3, with the Nordic SaaS index ending at 5.9x whilst the global index ended at 5.2x, both below average multiples last 5 years

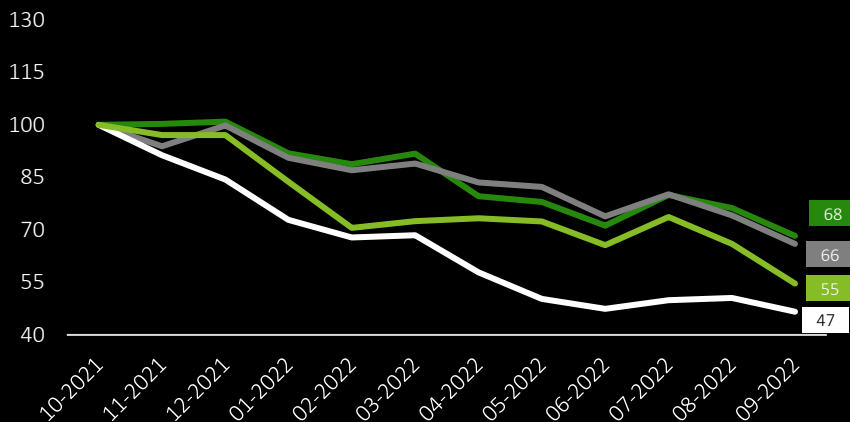


Nordic and global SaaS indices still outperforming Nasdaq and MSCI Nordic the last five years, despite a sharp decline over the last 12 months

Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L6M



Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L12M



Key takeaways



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

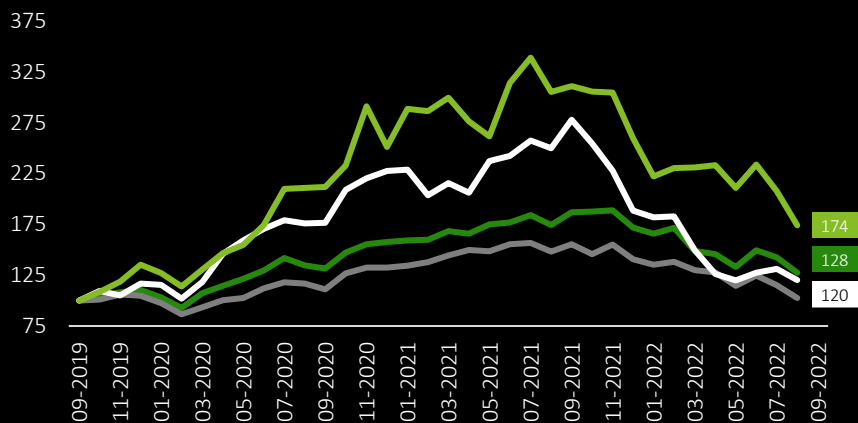


Both SaaS indices have underperformed the broader market the last 12 months, the Nordic SaaS index has underperformed the broader indices L6M



The overall strong performance of the SaaS indices over the last five years showcase the strong demand for software companies over this period, however the sentiment shift from growth to value shares have led to a sharp decline over the last 12 months

Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L3Y



Deloitte SaaS indices vs Nasdaq Composite and MSCI Nordic - L5Y

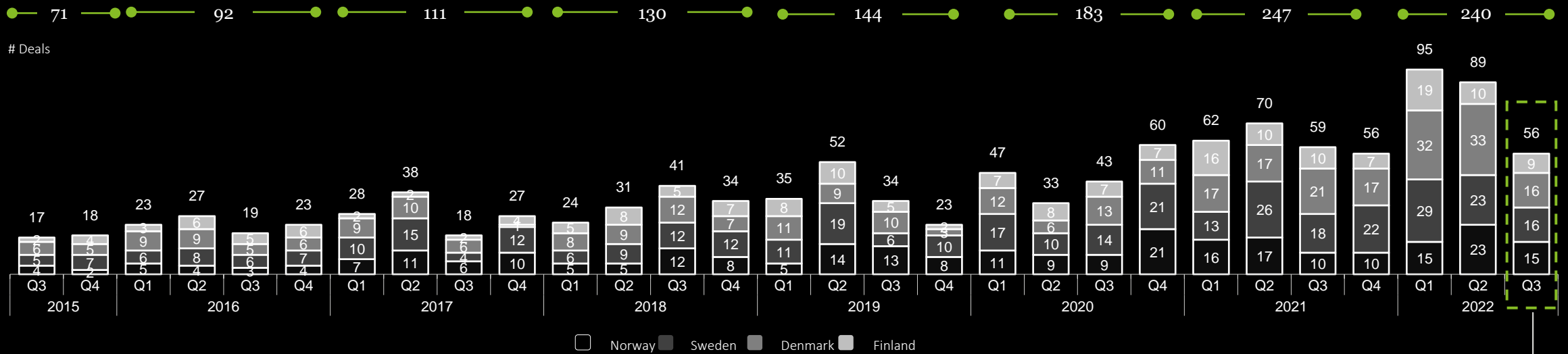


Deloitte Nordic SaaS index | Deloitte Global SaaS index | Nasdaq Composite | MSCI Nordic

Deal volume slowed down in Q3-22 compared to previous two quarters, however still high market activity

M&A Transaction volume

Deal volume across the Nordic countries within software in Q3-22



Norway

- Deal volume decreased in Q3-22 with 8 less deals completed than in Q2. However, 5 more deals were completed compared to Q3-21
- Strategic investors accounted for 40% of the deals in Q3-22, whilst PE and PE-backed companies accounted for 33% and 27% respectively
- Nordic buyers completed 10 deals in Q3-22, whilst other international buyers completed 5 deals

Sweden

- Deal volume decreased in Sweden in Q3-22 completing 16 deals compared to 23 deals in Q2-22
- PE firms accounted for 50% of the transactions in Q2-22, whilst strategics and PE backed firms account for 31% and 19% respectively
- Nordic and international investors completed 8 deals each

Denmark

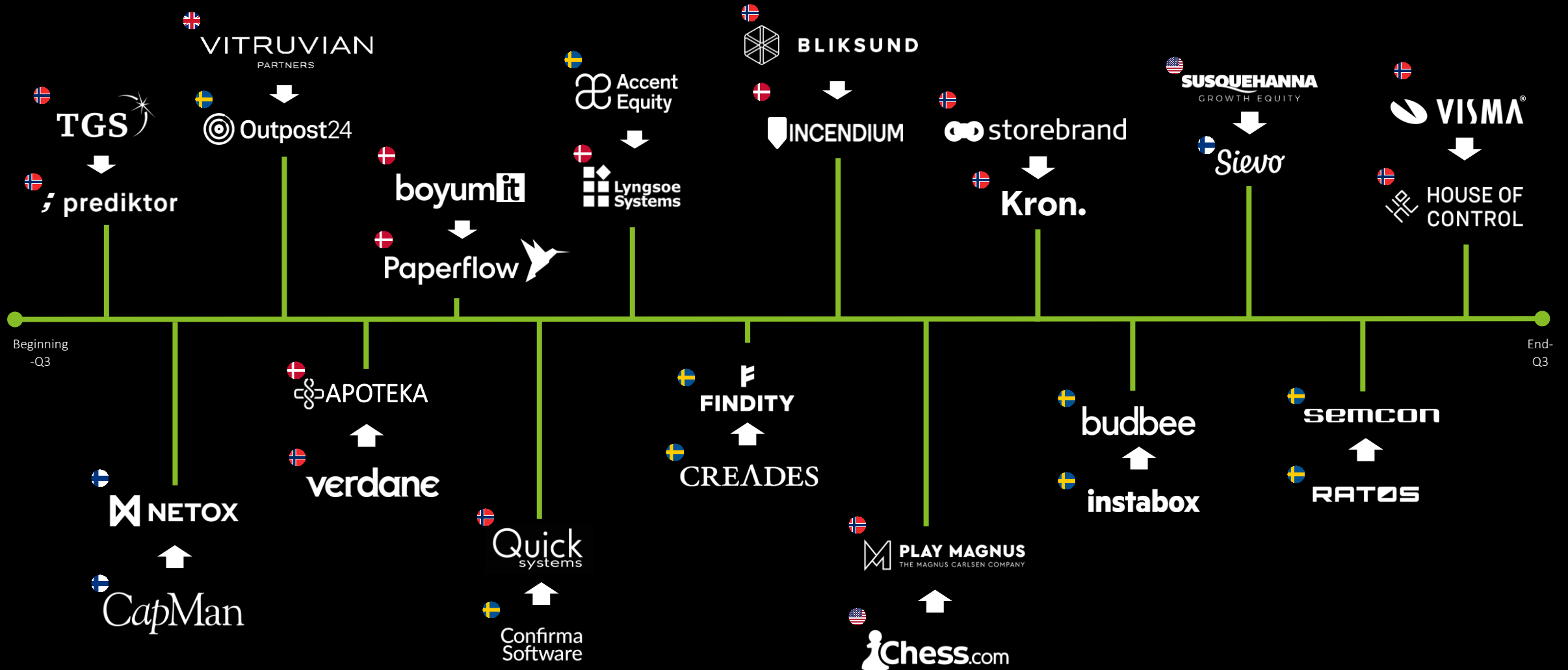
- Deal volume decreased significantly in Q3-22 with 17 less deals completed compared to Q2-22
- Strategic investors accounted for 44% of the deals completed in Q3-22, whilst financial buyers and PE-backed companies completed 38% and 19% respectively
- Nordic investors completed 10 deals in Q3-22, whilst other international buyers completed 6 deals

Finland

- Deal volume remains stable in Q3-22 compared to Q2, with 9 and 10 deals completed respectively
- PE and PE-backed firms accounted for 67% and 11% of the deals, whilst strategic investors accounted for 22%
- International buyers completed 5 deals in Q3-22 whilst Nordic buyers completed 4 deals

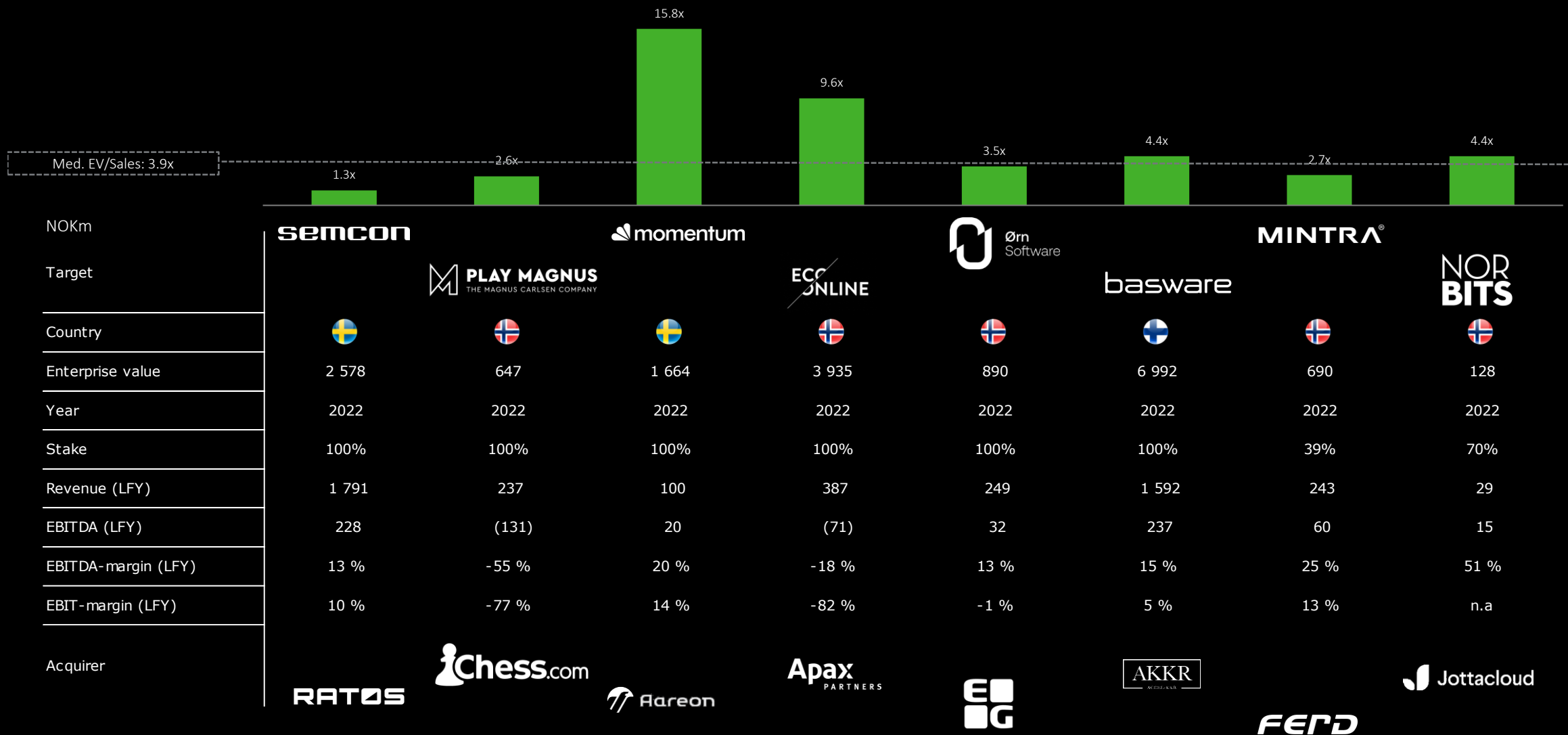
High deal activity across the Nordics from both financial and strategic investors in Q3-22

Selected Nordic software transactions



Nordic software transactions concluded at a median EV/Sales multiple of 3.9x LTM

Transaction multiples



02 IT services

02 IT services

8

A total of 8 transactions have been completed within the Nordic IT services space in Q3-2022

8x

The Nordic IT services index traded at ~8x next twelve-month EBITDA at the end of Q3

9x

Global IT services transactions concluded at a median EV/EBITDA multiple of ~9x at the end of Q3

11x

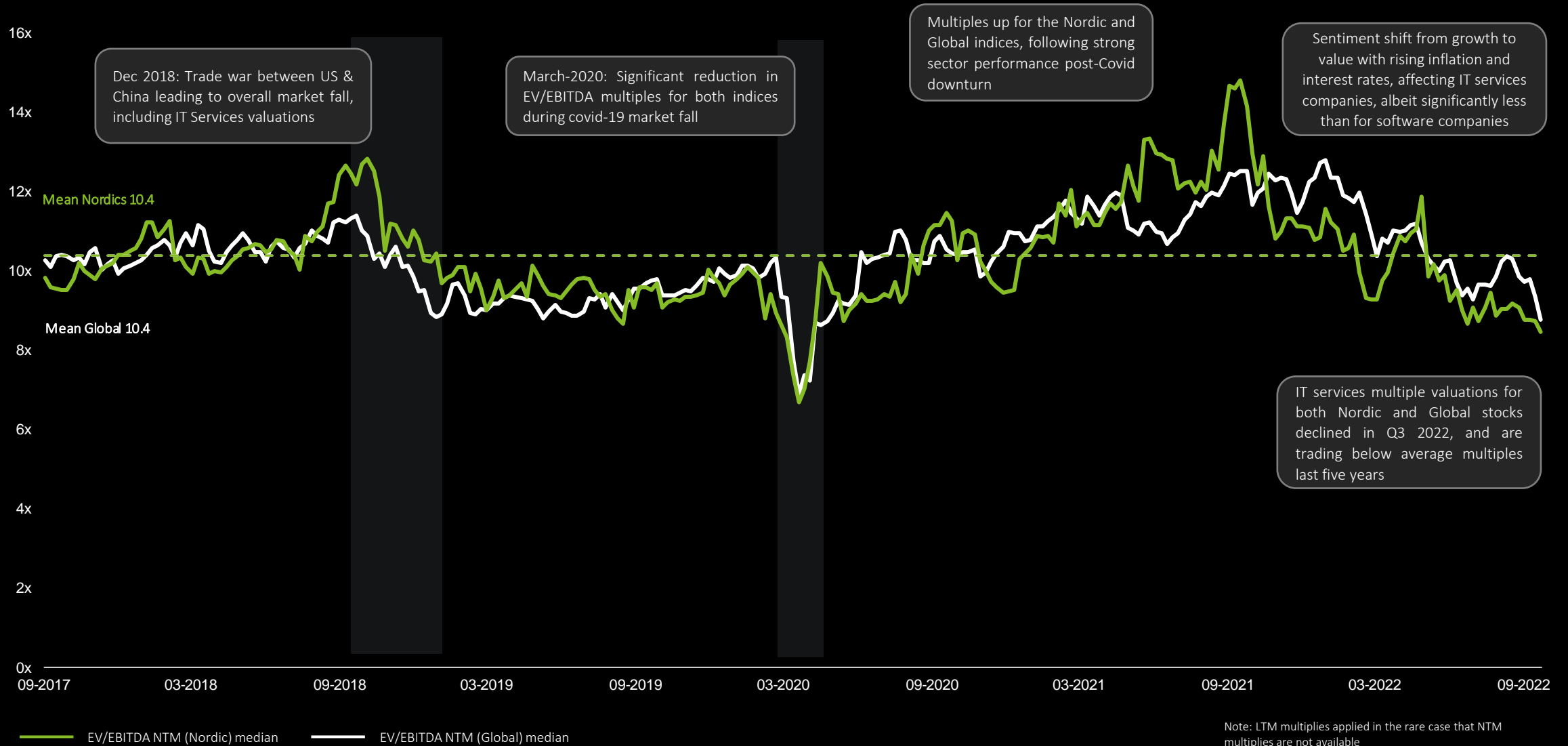
Nordic IT services transactions concluded at a median EV/EBITDA multiple of ~11x

The deal volume in the Nordic IT services M&A market slowed down in Q3-22 compared to the previous quarter, with 8 registered deals

The Nordic- and Global IT services indices are trading below the 5-year average NTM EBITDA multiple of ~10x after the downturn in multiples continued during H3-22

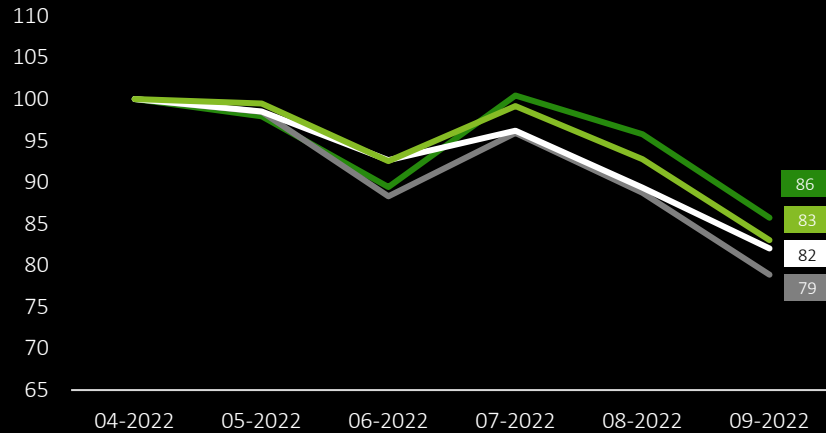
The average EV/EBITDA transaction multiple registered over the last year is approx. 11x, currently more than 1x above traded peers

For Q3-2022, the Nordic IT Services index ended at ~8.4x next twelve month EBITDA, while the Global IT Services index ended at ~8.8 next twelve-month EBITDA

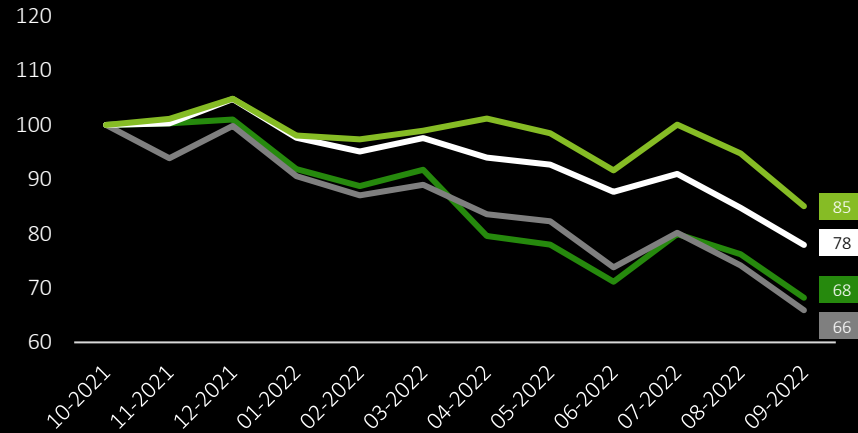


The Nordic IT services index continues to outperform the global IT services index and the Nasdaq over the last five years, despite a sharp decline over the last 12 months

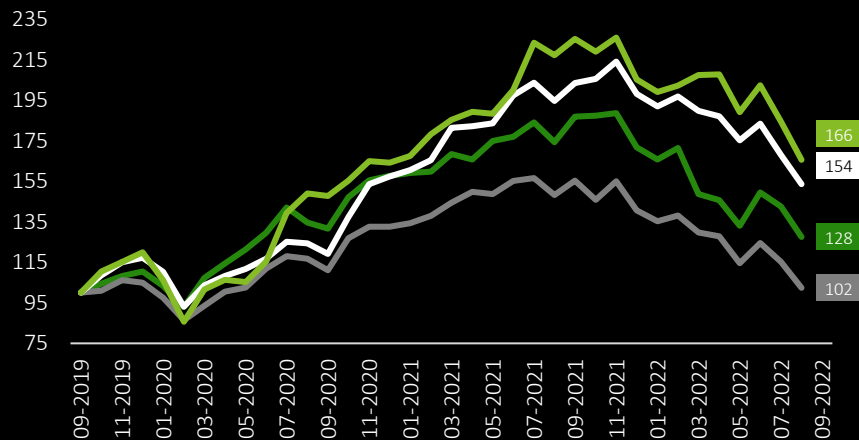
Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic - L6M



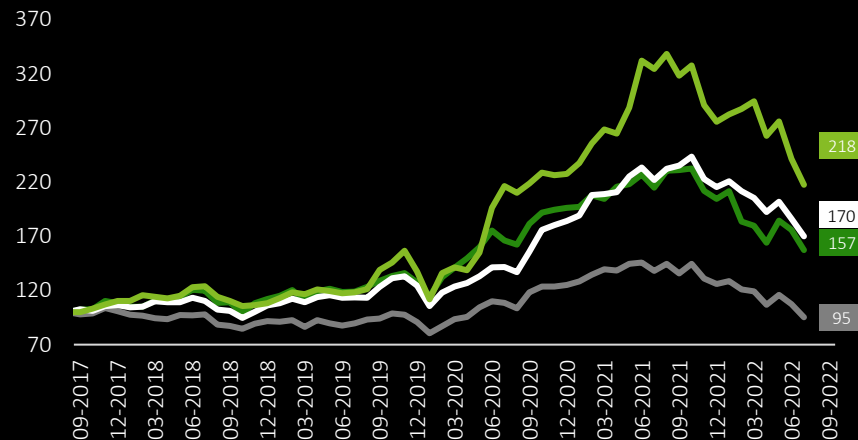
Deloitte IT services indices vs Nasdaq Composite and MSCI Nordic- L12M



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 takeaways



Over the last five years the Nordic- and Global IT services index have outperformed both the Nasdaq and the MSCI Nordic indices



The IT services indices have outperformed the broader Nasdaq index L12M, following strong IT-services sector performance

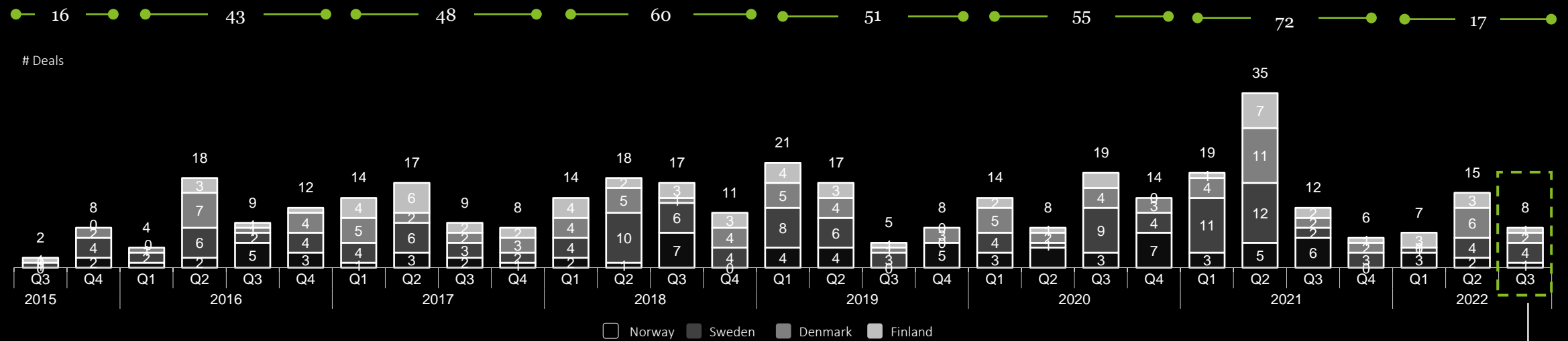


The overall strong performance of the IT Services indices underlines the continued strong demand for IT services companies, however the sentiment shift from growth to value shares have led to a sharp decline over the last 12 months, albeit significantly less than seen for SaaS shares

IT services deal volume in the Nordics slows down in Q3-22

M&A Transaction volume

IT services deal volume across the Nordic countries in Q3-22



Norway

- Limited deal activity in the Norwegian market with one deal completed in Norway in Q3-22
- A financial investor completed the transaction in Norway in Q3-22
- A Swedish investor completed the deal in Q3-22

Sweden

- Deal volume in Q3-22 was on par with number of deals completed in Q2-22, with a slight increase vs Q3-21
- PE firms accounted for 50% of the transactions in Q3-22, whilst strategics and PE backed companies accounted for 25% each
- Nordic investors completed 3 deals in Q2-22, whilst international buyers completed 1

Denmark

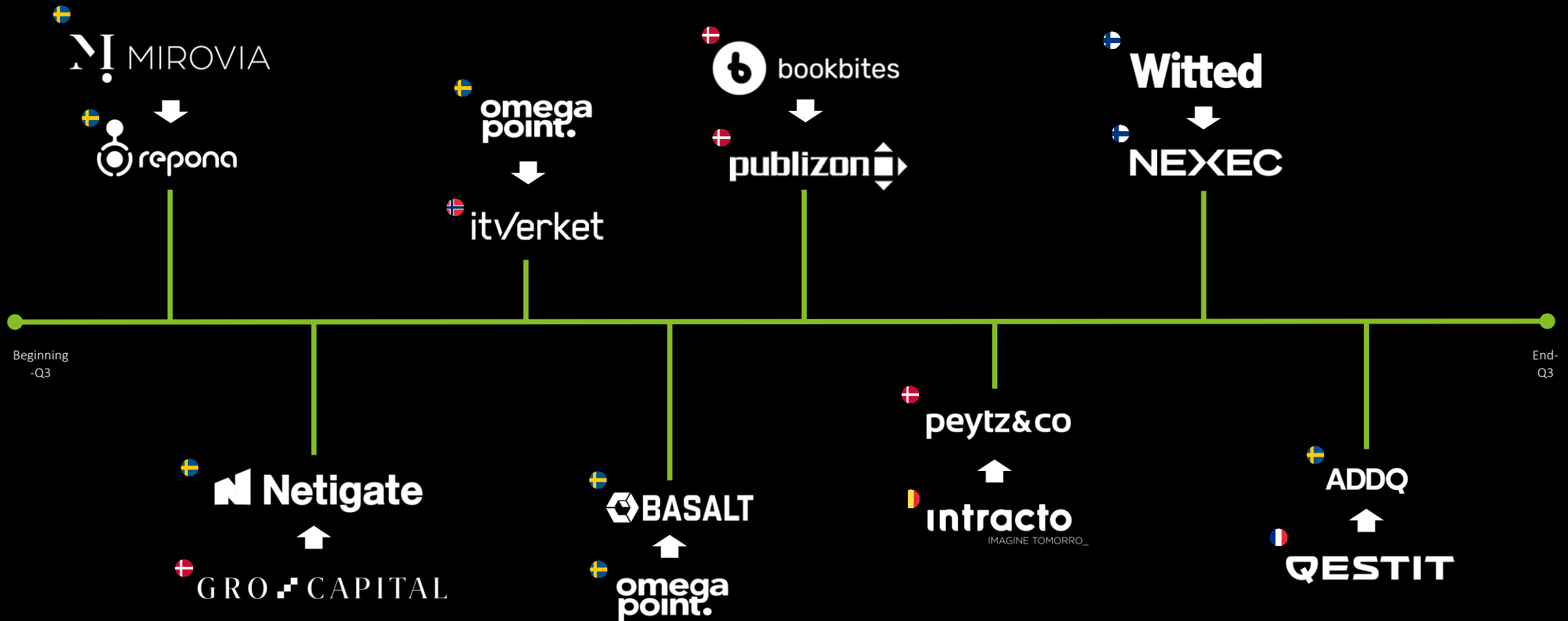
- Deal volume decreased in Denmark in Q3-22 compared to Q2-22, but on par with number of deals completed in Q3-21
- Strategic investors and PE firms accounted for 50% each of the transactions in Q3-22
- Danish and international investors completed one deal each in Q3-22

Finland

- Deal volume decreased in Finland in Q3-22 compared to Q2-22, going from two deals to one.
- Strategic buyers accounted for the transaction completed in Finland in Q3-22
- Finish buyers completed the deal in Q3-22

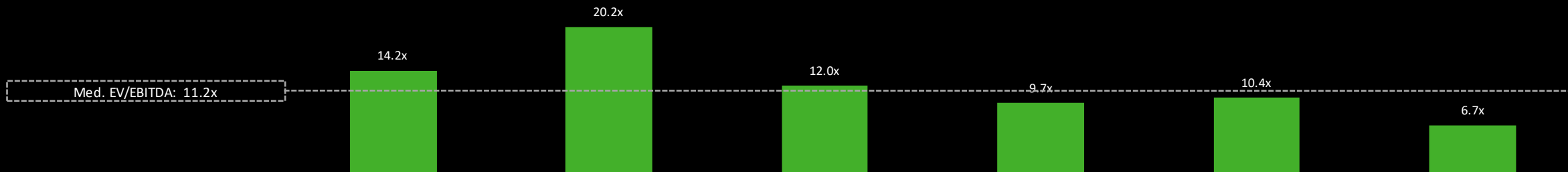
All transactions in the Nordic IT services market in Q3-22

Nordic IT services transactions



Nordic IT services transactions concluded at a median EV/EBITDA multiple of ~11.2x¹

Transaction multiples



NOKm

Target

Country

Enterprise value

Year

Stake

Revenue (LFY)

EBITDA (LFY)

EBITDA-margin (LFY)

EBIT-margin (LFY)

Acquirer



Cerion
YOUR DATA WAY



71

2021

100%

36

5

14 %

14 %

netum



2 692

2021

100%

2 031

134

7 %

n.a

AXCEL



108

2021

100%

118

9

8 %

5 %

exsitec

Cybercom
Intressenter AB



2 399

2021

100%

1 652

248

15 %

7 %

knowit



103

2021

100%

68

10

15 %

15 %

PROACT



105

2021

100%

78

16

20 %

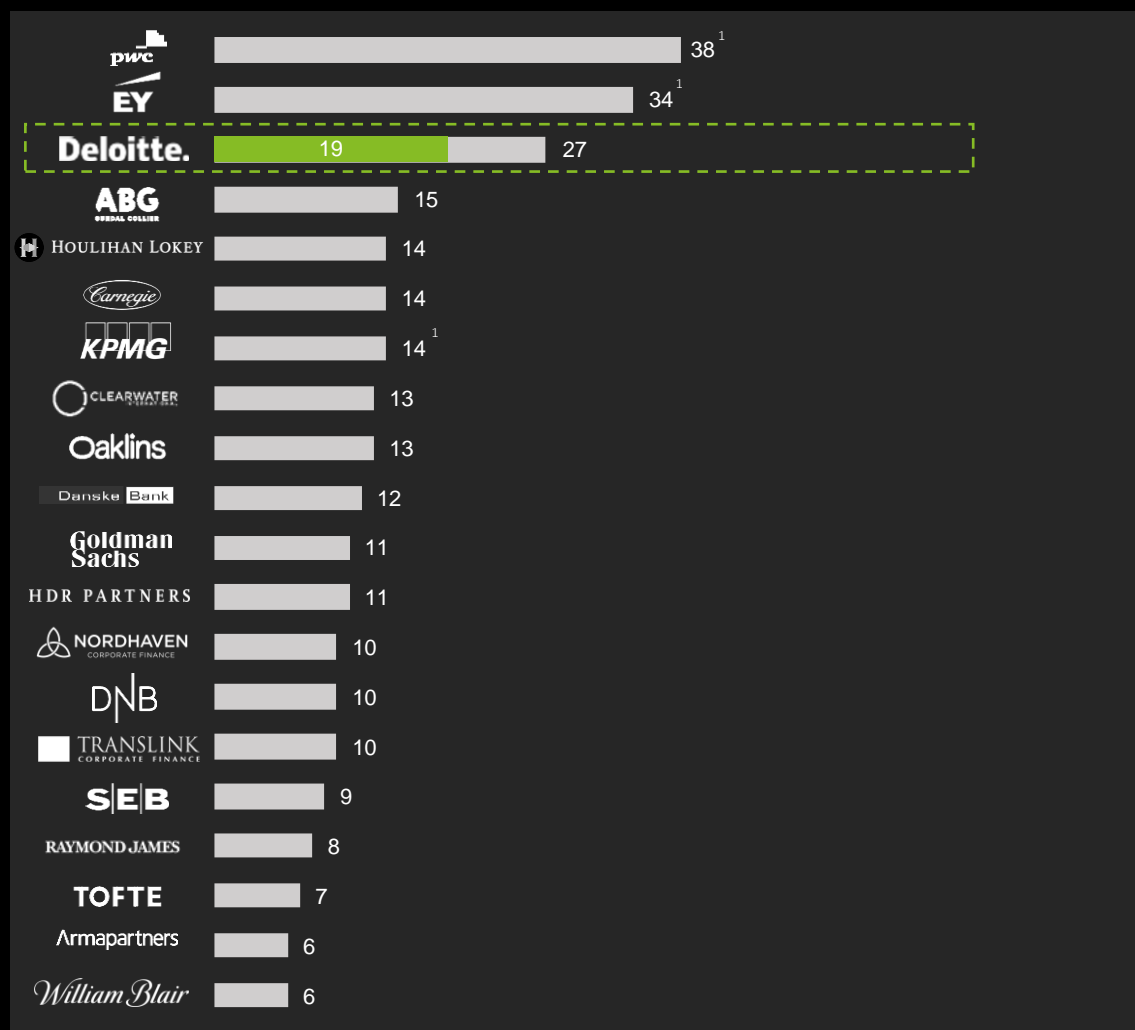
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03 Deloitte Insights

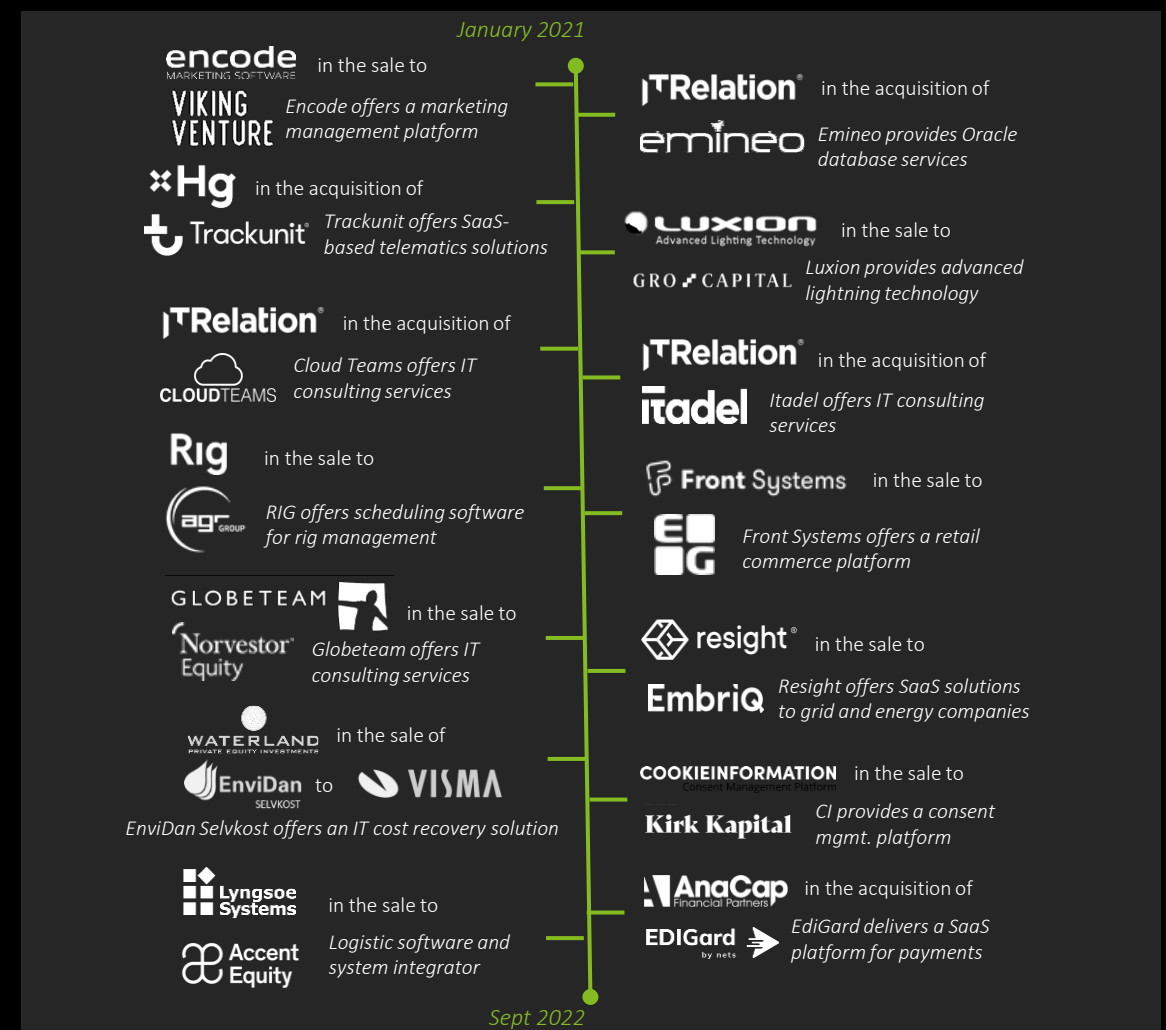
Deloitte is one of the most active advisors within the IT sector in the Nordics

Mergermarket Nordic league table by volume (2021-Q3-22)



Deloitte is one of the most active advisors in the Nordic IT M&A market ...

Strong activity 2021-Q3-22 (selected credentials)



... with strong references within both sell-side and buy-side advisory

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