

TMT Finance, EY-Parthenon release 'Value Creation and M&A in European Software Leadership Survey Report' for 2022

Submitted by: TMT Consultants Ltd

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LONDON, MARCH 4, 2022: TMT Finance, the leading business intelligence and data provider for global telecom, media and technology M&A and investment, and EY-Parthenon, one of the largest global strategy consultancy firms, have published a report on European software sector merger and acquisitions, predicting further significant growth of transactions across the continent.

The Value Creation and M&A in European Software Leadership Survey Report, which gathered responses from over 50 key software company leaders, heads of private equity and TMT investment banking, and professional advisory firms, pinpointed key subsectors including Cybersecurity, ER, and AI & Analytics for exceptional M&A growth.

Furthermore, 57% of advisory respondents expected deal volume to increase by 15% or more with 80% of investor respondents expecting it to increase by 5%. Only 10% of advisory respondents felt that there would be any kind of decrease in 2022.

Ben Nice, Editorial Director, TMT Finance said: "We were really excited by the findings of this survey which underlined just how much more growth potential and deal activity we have in store in the European software sector. Fuelled by a range of positive macro drivers, including the push to digitise workflows and processes, the growing sophistication of AI/analytics, and the increased criticality of technology to business operations – combined with the amount of capital available for acquisitions and investment –we are seeing demand for the right assets on an unprecedented scale," he added.

Other key findings in the report include:

- Valuation multiples of European Software business expected to continue to grow by 15% or more as international buyers increase
- All respondents agreed there would be more buyouts and minority investment deals with advisory respondents identifying Special Purpose Acquisition Company (SPAC) mergers as becoming more popular as assets mature.
- US buyers and investors continue to ramp up focus on European Software businesses, which continue to offer "significant discount" on similar US companies
- Software holding companies are building up an acquisitive European portfolios in multiple sectors

The overall feedback was also that increasing interest, particularly from the US, and a lack of available good quality targets would mean that valuation multiples would not fall over the next 24 months with 42% of advisors saying they would increase, 30% stay the same and 27% pointing to a decrease. Investors and advisors agreed valuations were too high while industry respondents said they were too low.

Advisory respondents said strategic clients generally put proprietary software and existing product synergies ahead of high recurring revenues and high customer retention rates though advisors themselves cited these second and third factors as among their main risk concerns. Industry respondents by contrast worried about a lack of sustained growth and the knock-on effects from COVID-19 while investors pointed

to overpayment and cybersecurity breaches.

While all respondents pointed to Artificial Intelligence & Analytics and Enterprise Resource Planning (ERP) software as the main areas likely to see activity over the coming years, ERP software is also seen as a riskier subsector because the unbundling of offerings is reducing the prevalence of full-suite buying. Respondents also felt financial downturns could leave the financial software sector exposed while professional services are also at risk from the increasing impact of automation.

To read the full report click here (<https://info.tmtfinance.com/european-software-report>).

About TMT Finance

TMT Finance launched in 2009 to connect and inform senior executives pursuing growth and investment opportunities in telecoms, media and technology globally. Since then, we have established the leading business intelligence and deal data service for mergers, acquisitions, investment and financing opportunities in TMT worldwide. Our subscription only service is trusted by the leading TMT executive teams (CEOs, CSOs, CFOs, Heads of M&A), investment bankers, private equity investors, management consultants, professional advisors and law firms. We publish over 150 articles per week on new merger and acquisition opportunities, financing and advisory mandates and pricing, as well as a proprietary deal data, updated daily. TMT Finance M&A and Leadership Events, Research Reports and Virtual Events are renowned worldwide for connecting and informing leaders in TMT. www.tmtfinance.com (<https://www.tmtfinance.com/>)

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About EY-Parthenon

EY-Parthenon is one of the largest global strategy consulting organizations, with 7,000+ professionals. EY-Parthenon supports CEOs and business leaders design and deliver transformative strategies across the entire enterprise, to help build long-term value for all stakeholders. Within the telecommunications, media and technology space, EY-Parthenon professionals help TMT clients define their true market context and competitive landscape, develop strategies that systematically help create long-term value and ultimately transform TMT companies into powerhouses that will lead the technology revolution of the future.

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