

IMAP

Software and ICT services

Nordic Sector Report

Q3-2024

We are sector focused M&A Experts, who provide outstanding results to our clients

CONTENT

Software

- Overview
- Transaction volumes
- Trading multiples
- Notable transactions

ICT services

- Overview
- Transaction volumes
- Trading multiples
- Notable transactions

IMAP

- Insights
- About IMAP
- Contact information

SNAPSHOT OF Q3



In the third quarter of 2024, the Nordic M&A market for software and ICT services showed solid activity compared to the first half of the year. There was a moderate increase in the number of transactions compared to the third quarter of 2023, reflecting rising interest among investors amid global economic uncertainties.

The Nordic software sector continues to demonstrate resilience, with yet another quarter of robust M&A activity. In the first nine months of 2024, deal counts in Norway and particularly in Sweden have fallen below their 2023 averages. Finland has remained stable, supported by a particularly strong performance in Q3 while Denmark has experienced a notable increase in deal count, just slightly below the peak seen in the first nine months of 2022. International buyers continue to dominate the software sector, with cross-border activity comprising nearly 60% of all announced deals in 2024.

The Nordic ICT services sector has experienced a significant rise in activity compared to Q3 2023, primarily driven by private equity platform investments and add-on acquisitions by private equity-backed portfolio companies. In the first nine months of 2024, deal counts across the Nordics have been stable compared to 2023, but increased Q3 activity driven by financial buyers could indicate another consolidation wave on the horizon.

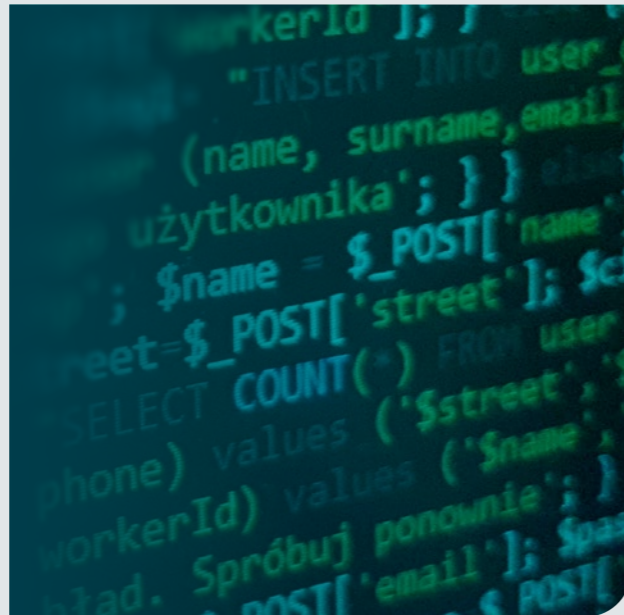
All indications point towards an uptick in M&A activity in the Nordic software and ICT services sectors in the last quarter of 2024 and for the full year, driven by continued consolidation within attractive sectors and an expected positive macroeconomic outlook leading to lower interest rates and borrowing costs.

Financial investors continue to play a prominent role in the Nordic software and ICT services M&A landscape, accounting for more than half of all transactions in 2024. They are likely to become even more active in search of opportunities to deploy their record amounts of unspent capital.

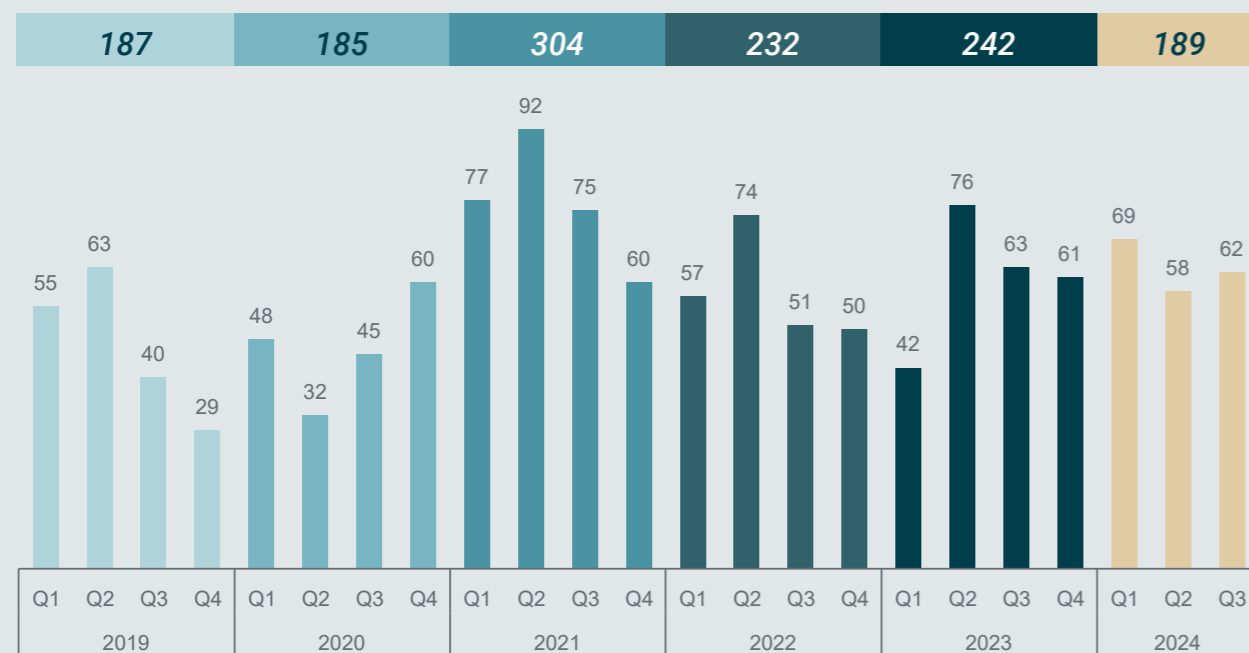
SOFTWARE

Market overview

The software sector delivered a stable performance in the third quarter, with 62 transactions announced. This is line with the activity levels from the same period last year (63) and marking a slight increase quarter over quarter. Finland experienced great M&A activity and reported its best quarter in terms of deals since 2021. The Nordic software market continues to draw strong interest from international buyers, with one-third of the announced transactions involving buyers from outside the Nordics.



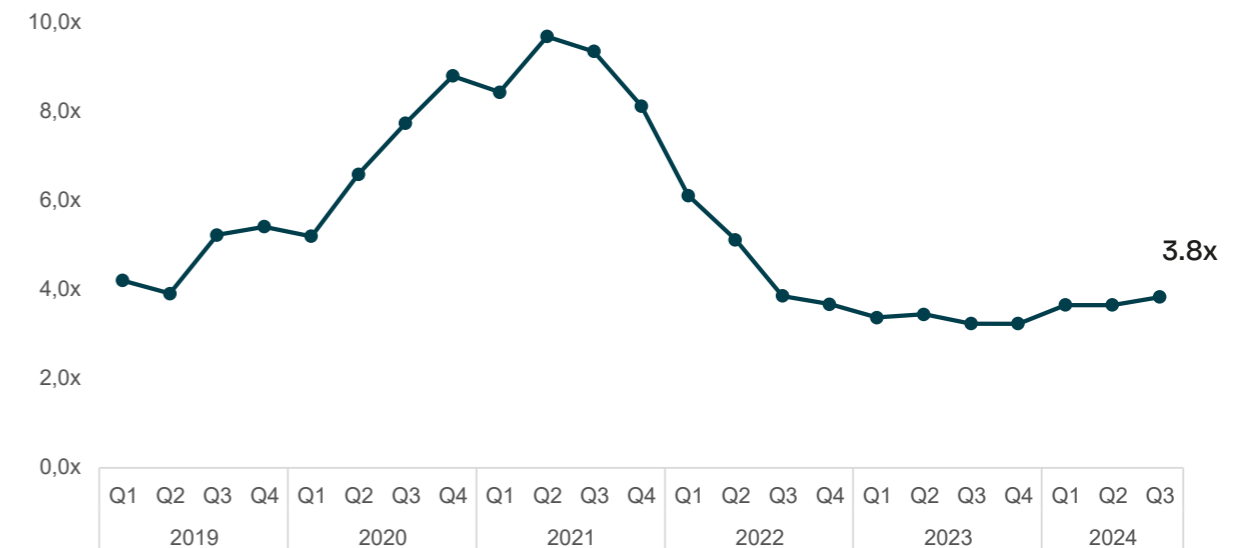
Number of Nordic software transactions



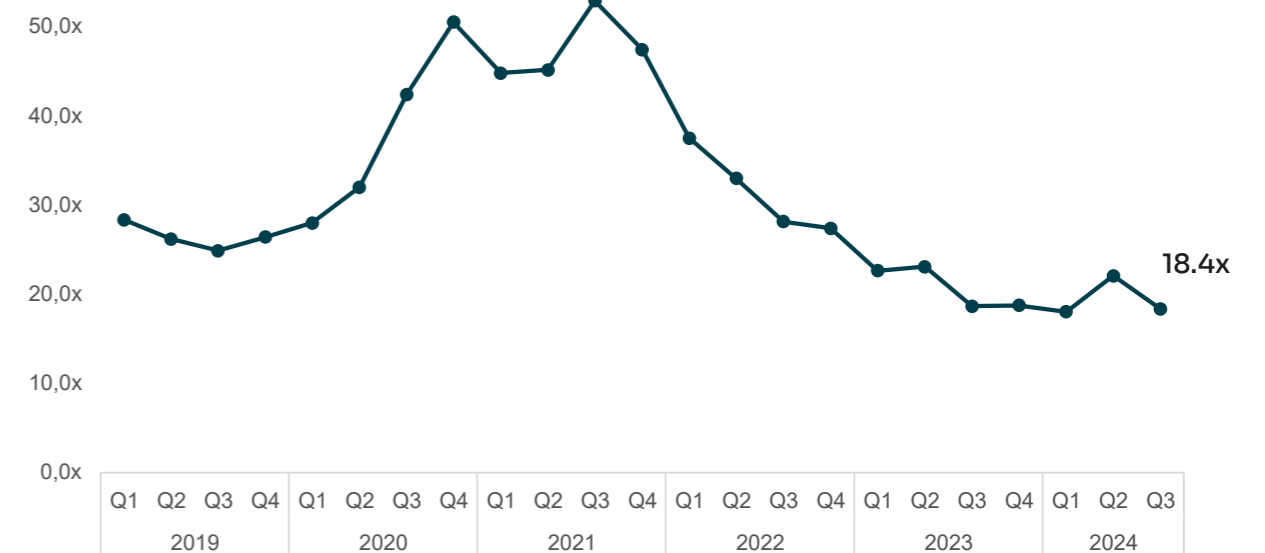
Sources: Mergermarket and IMAP analysis.

Notes: Deal volume based on Mergermarket industry category "Computer software" excluding targets where software is non-core. Venture and capital raises have been excluded.

EV/Sales multiple



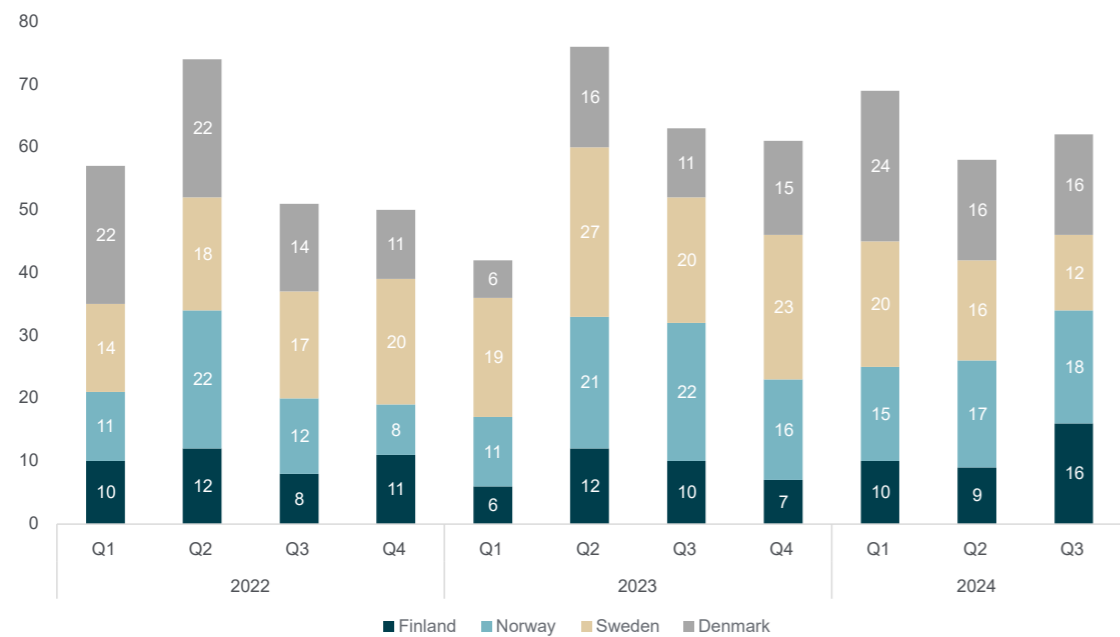
EV/EBITDA multiple



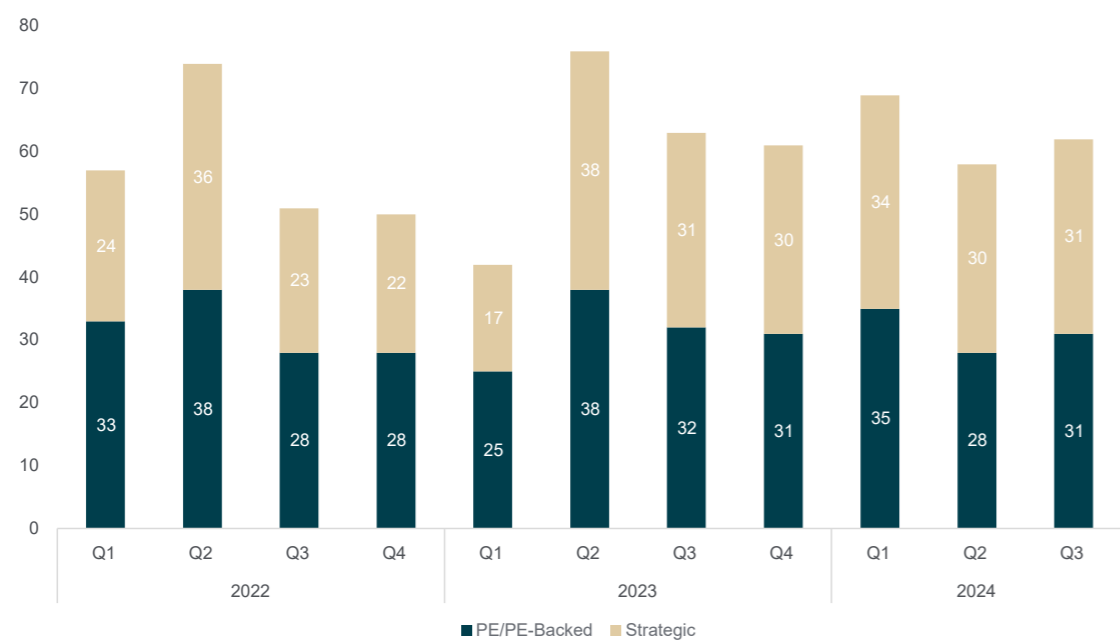
Sources: S&P Capital IQ

Notes: Multiples based on a sample of 60 listed software companies (FI, SE, DK, NO). Month-end trading values have been converted to median quarterly multiples.

Deal volume by target country



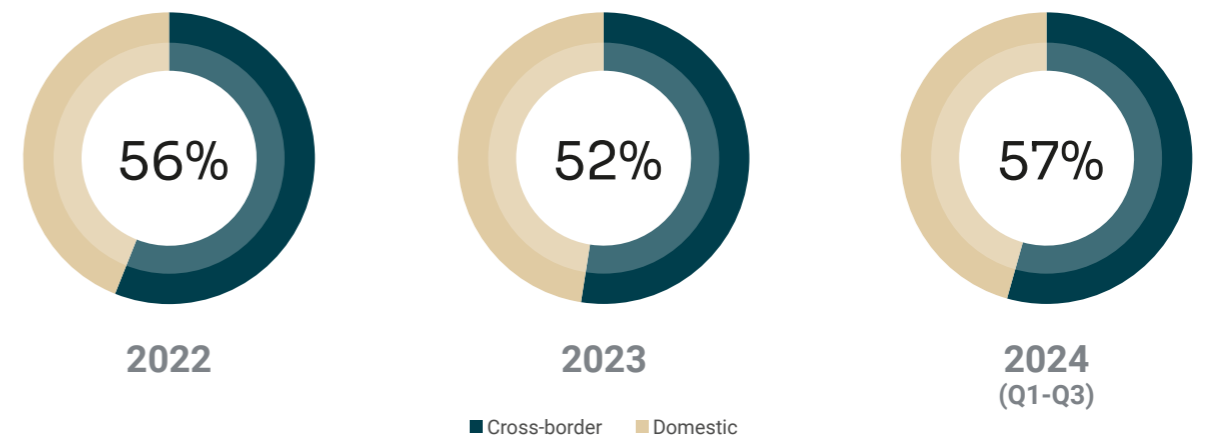
Deal volume by buyer type



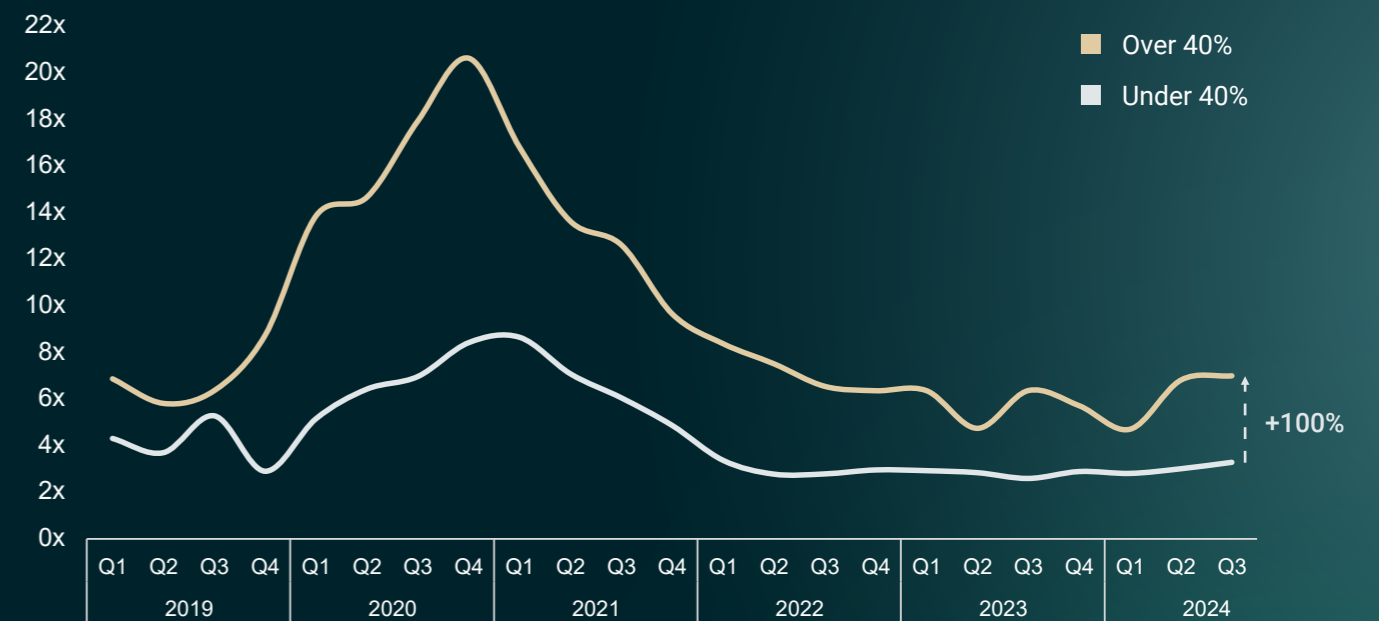
Sources: Mergermarket and IMAP analysis.

Notes: Deal volume based on Mergermarket industry category "Computer software" excluding targets where software is non-core. Venture and capital raises have been excluded.

Cross-border deals



MEDIAN SALES MULTIPLES OVER TIME IN TWO "RULE OF 40" CATEGORIES



The rule of 40 suggests that the combined value of revenue growth rate and profit margin for a "healthy" software company should be 40% or higher. Data show that companies meeting this target are rewarded with a significantly higher EV/Sales multiple.

Sources: S&P Capital IQ; Rule of 40 formula = YoY revenue growth + EBITDA margin

SELECTION OF NORDIC TRANSACTIONS

Q3

Acquired by



Acquired by

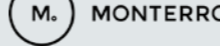

 



Acquired by



 

Acquired by



Acquired by



 

Acquired by

Acquired by



Acquired by



 

Acquired by

Acquired by

Acquired by

Acquired by

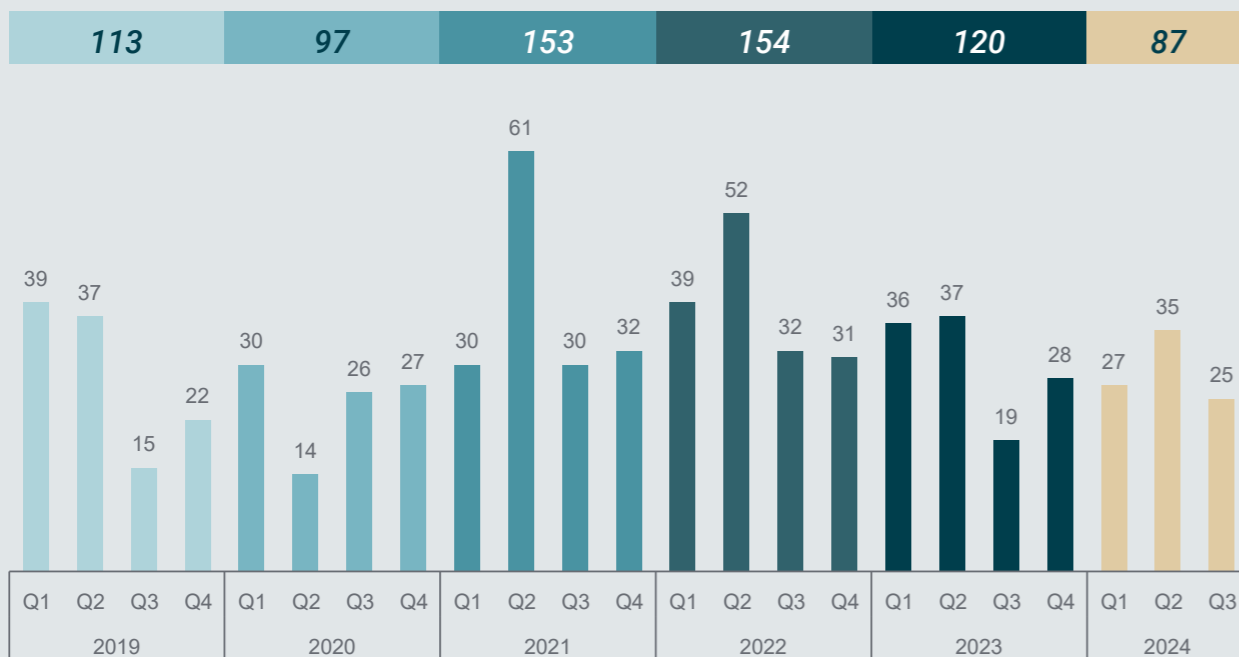
ICT SERVICES

Market overview

Historically the third quarter has marked the lowest period of transaction activity for the ICT services sector in the Nordics. However, during this quarter there's been a notable upswing compared to the same period last year with deal volume increasing by 32% (6 additional deals). In contrast to Q2, the financial buyers have been the main driver of this activity, with private equity firms playing a central role. 19 out of the 25 completed deals were either new platform investments or add-ons to companies owned by PE firms.



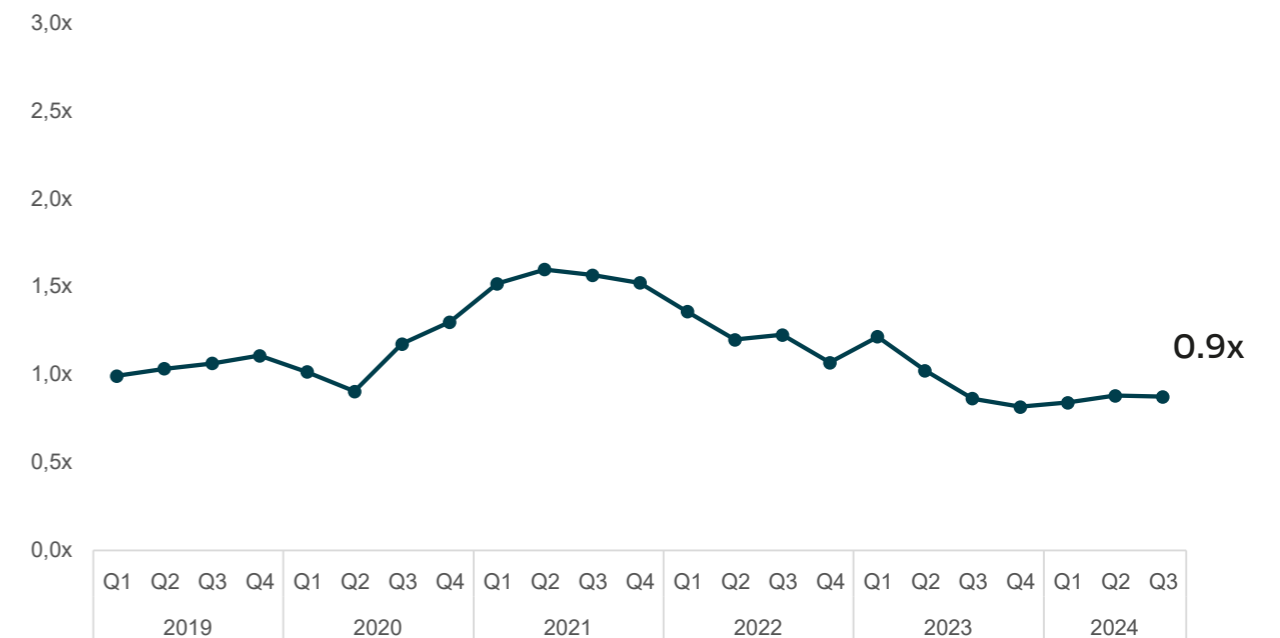
Number of Nordic ICT services transactions



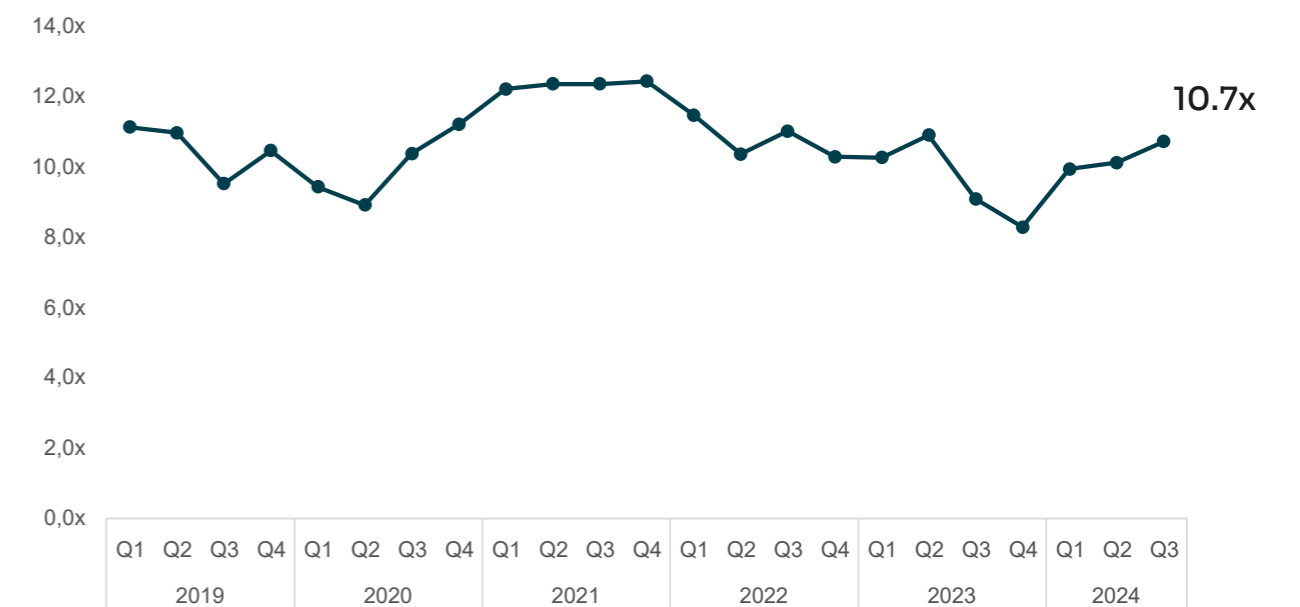
Sources: Mergermarket and IMAP analysis.

Notes: Deal volume based on Mergermarket industry category "Computer services" excluding targets within "Hardware maintenance". Venture and capital raises have been excluded.

EV/Sales multiple



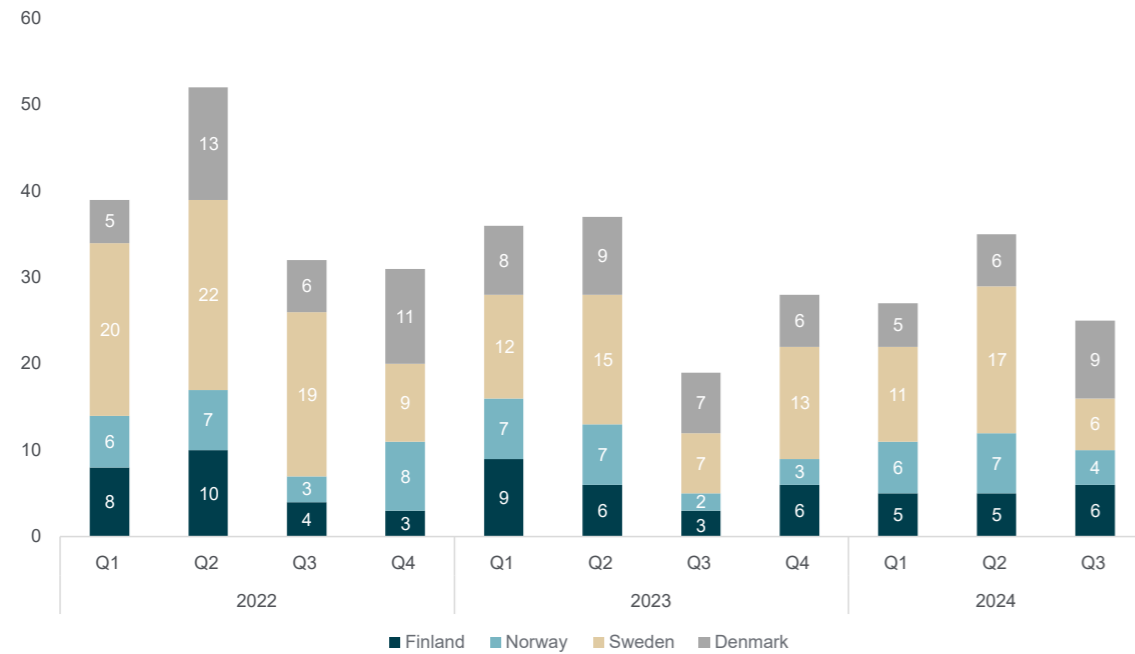
EV/EBITDA multiple



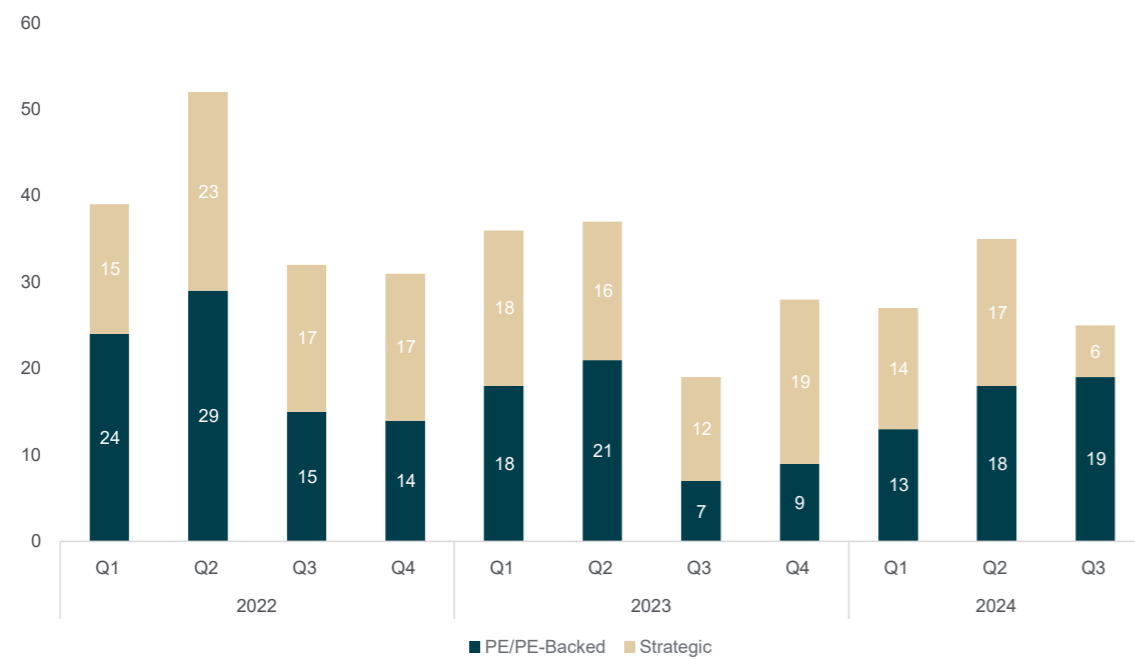
Sources: S&P Capital IQ

Notes: Multiples based on a sample of 22 listed ICT services companies (FI, SE, DK, NO). Month-end trading values have been converted to median quarterly multiples.

Deal volume by target country



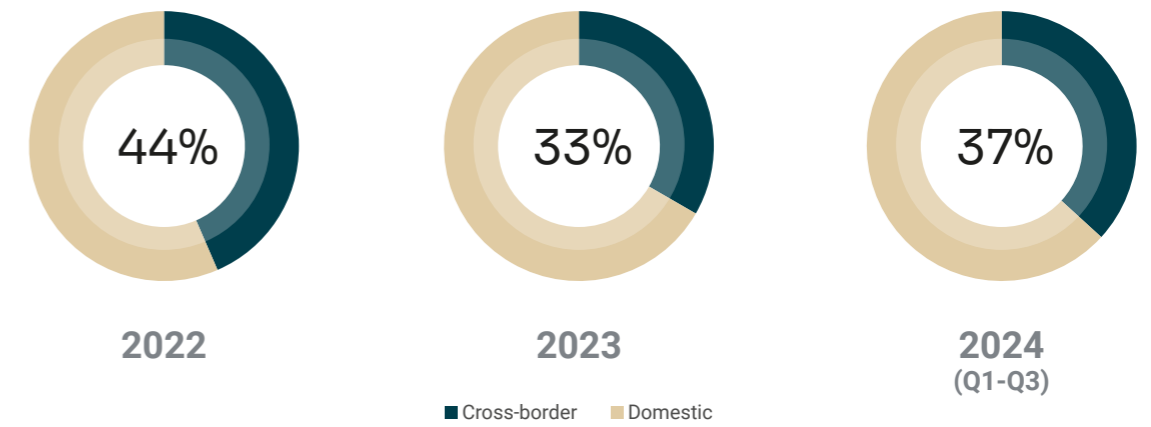
Deal volume by buyer type



Sources: Mergermarket and IMAP analysis.

Notes: Deal volume based on Mergermarket industry category "Computer services" excluding targets within "Hardware maintenance". Venture and capital raises have been excluded.

Cross-border deals



CONSOLIDATION TRENDS RESHAPING THE NORDIC MARKET

Digital transformation and ICT services delivery are two areas that remain highly relevant. The rapid digitization of business processes, the increasing use of cloud services, and the growing demands for cybersecurity are creating attractive market conditions. Several of the largest and most well-known ICT consulting firms in the Nordic market include the pan-Nordic TietoEvyry, Norwegian ATEA, Canadian CGI, French Sopra Steria, and, primarily in Finland, Japanese Fujitsu.

In addition to the above, there are several large companies, most of which are backed by financial investors. These companies have been created by merging several smaller firms and have since pursued strategic add-on acquisitions. Examples include itm8 (owned by Axcel), IVER (owned by ICG), Netnordic (owned by Norvestor), Advania (owned by Goldman Sachs, IK Investment Partners, and VIA Equity), and Aderian (owned by Adelis).

Another key player is the Swedish-Norwegian consultant and serial acquirer Nordlo, which was founded by the investment firm FSN Capital Partners in 2018. The group was formed through an investment by FSN, bringing together 22 companies, and has since acquired an additional 15 companies. Today, the company employs 900 people and has a turnover of EUR 185 million, representing a doubling of its revenue over the past six years. In Q3 2024, Nordlo was transitioned to a new fund by its owner, with EUR 130 million being allocated to drive further growth, both organically and through acquisitions. The company has explicitly stated that it will focus on markets such as Germany and Northern Europe, with the goal of replicating its successes in Sweden and Norway in other markets.

With a strengthened acquisition fund, it didn't take long before Nordlo completed a major acquisition in Q3, acquiring EPM Data, a Stockholm-based full-service IT services provider with a turnover of approximately EUR 10 million and a customer base that includes government agencies, trade unions, insurance firms, and consulting companies.

SELECTION OF NORDIC TRANSACTIONS

Q3



IMAP

INSIGHTS FROM EXPERTS



TIMO NUORLA
IMAP FINLAND (CARNER CF)

The Finnish software market demonstrated a significant surge in activity during Q3 2024, with 16 announced deals – a notable increase compared to the 10 deals recorded in the same period last year. On a trailing twelve-month basis, ending September 2024, the total number of announced deals has also risen compared to the previous year. Strategic buyers dominated the software M&A landscape in Finland, accounting for the majority of transactions in Q3 2024.

The ICT services market has remained stable on a year-over-year basis when measured over the last 12 months. However, there is a clear and consistent recovery in activity compared to the low point in Q3 2023. Notably, one third of all announced transactions in Q3 2024 involved private equity or private equity-sponsored buyers, with domestic buyers comprising 50% of the total announced transactions.



MICK OHIRA
IMAP DENMARK (DEALHAUS)

Q3 registered an improved volume compared to the same period of 2023. There was more than 56 deals announced in 2024 so far, which is impressive compared to 2023 where only 33 deals were announced in the first three quarters. We see increased appetite for dealmaking amongst buyers, combined with stronger figures and improved outlook coming from more sellers. Private Equity still plays a key role in the software segment (69% were Private Equity led or add-ons for PE-backed acquirers in Q3), and an overwhelming 75% of the announced deals in Q3 had a foreign buyer.

The ICT services sector remains steady compared to 2023 levels, though we view the current pace as robust. Notably, all ICT services transactions reported in Q3 2024 in Denmark, involved either a Private Equity or PE-backed buyer, underscoring Private Equity's significant role in this segment.

Looking ahead, based on current deal volumes and market sentiment, we anticipate that deal activity will remain strong through the end of the year.

We observed that activity in both software and ICT services continued to trend upward during Q3 in the Nordics, compared to earlier this year and to Q3 of last year. Two clear trends we continue to see are the strong interest from international buyers and the high activity levels from PE firms.

During the quarter, the HR sector stood out as particularly active, consistently driven by ongoing digitalization. A notable transaction was the acquisition of Benify—a Stockholm-based provider of employee benefits administration software—by the UK's Zellis Group, previously held by Vitruvian Partners.

We see no signs that this increased activity over recent quarters will slow through the rest of this year and well into 2025. On the contrary, indicators suggest that activity within software & ICT services will only intensify in the near future, fueled by substantial dry powder among PE firms and strong interest from international buyers.



ANDREAS ANDERBERG
IMAP SWEDEN



ABOUT IMAP

Since 1973, IMAP have been navigating critical business crossroads for entrepreneurs and family offices, shareholders and investors, business owners and management. We're passionate about maintaining an agile and uninfluenced position, to produce optimal results and smooth transactions for every client.

Our experience: Closing at least one transaction every working day around the globe

51 Countries

450+ IMAP professionals worldwide

231 Deals closed 2023

#7 Worldwide ranking

Our task is to create the right solution for you and your company, where price, conditions and culture come together in a higher unity. But perhaps even more importantly, our task is to advise and guide you through the entire process, so that you feel informed and comfortable with the decision you are facing at all times. We specialize in the sale of small and medium-sized companies, and we are passionate about helping owner-managers when the difficult decisions have to be made.

Let's talk software and ICT services!

IMAP Finland // Carner CF



Mikko Sistonen
Partner
+358 50 593 7303
mikko.sistonen@carner.com



Timo Nuorla
Partner
+358 40 129 9669
timo.nuorla@carner.com



IMAP Denmark // DealHaus



Mick Ohira
Partner
+45 31 32 28 26
mo@dealhaus.dk



Peter Schnedler
Partner
+45 28 72 20 86
ps@dealhaus.dk



IMAP Sweden




Andreas Anderberg
Partner
+46 702 580 441
andreas.anderberg@imap.se



Jörgen Larsson
Partner
+46 709 547 734
jorgen.larsson@imap.se





The future of your business
is our business

www.imap.com

