

*Aventis Advisors*

# Tech Company Valuation Multiples

Report

# Table of Contents

1. Software
2. IT services
3. Hardware



# Software Multiples

Over the past 7 years, software companies have been valued at around 16.8x EBITDA or 3.3x Revenue

Multiple	Sample (n)	1st quartile	Median	3rd quartile
EV/Revenue	1,898	1.6x	3.2x	6.9x
EV/EBITDA	883	10.0x	16.6x	32.1x
EV/EBIT	739	12.5x	22.9x	50.0x

**Search criteria:**

Industry is Application software or Operating systems and systems-related software

Deal value is disclosed

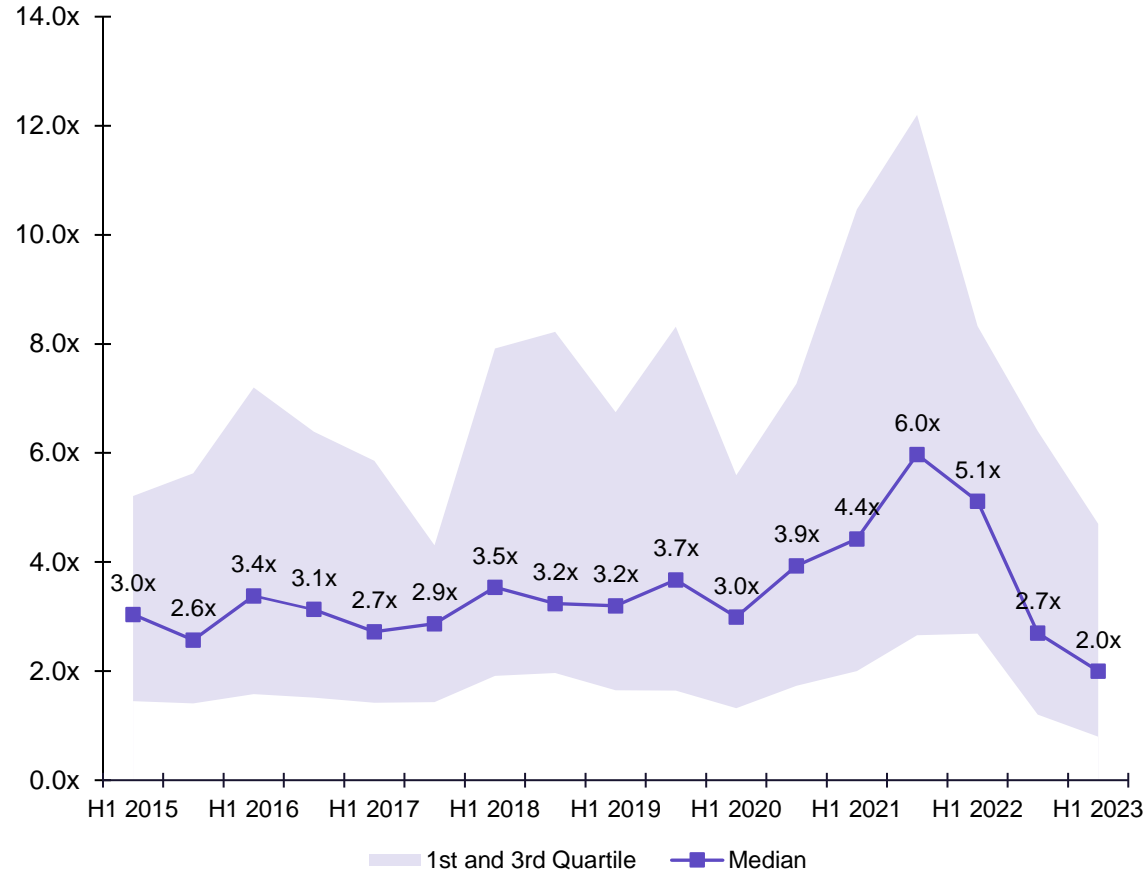
Period: 01.01.2015 – 16.08.2023

N=1,898 transactions

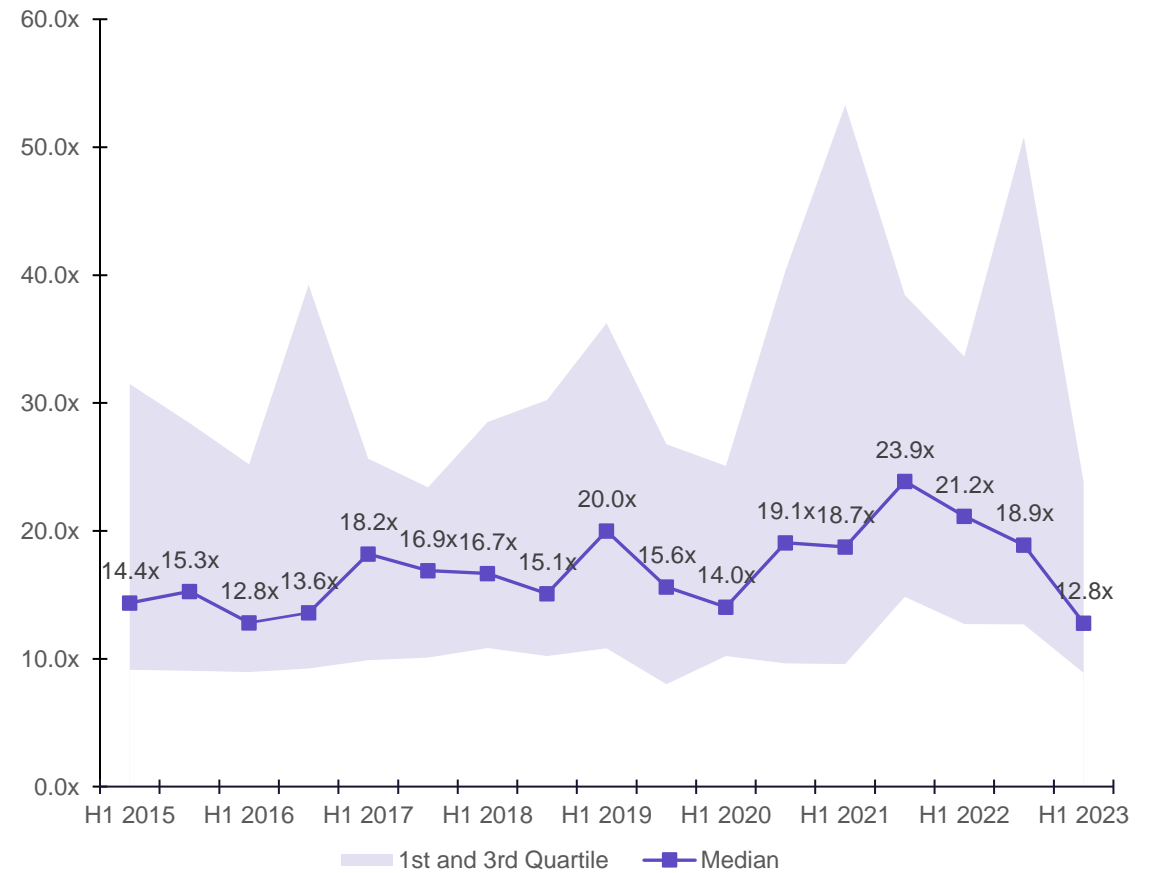
# Software Valuations

The valuations have been stable over the years at around 3.0x Revenue, with a rapid growth and decline period in 2021-2023

**Median EV/Revenue multiple, 2015-2023 (n=1,898)**



**Median EV/EBITDA multiple, 2015-2023 (n=883)**



# Multiples – Size effect

Due to the lower risks and wider investor universe available, larger companies are typically valued higher

Deal size, m USD	Number of deals	Median EV/Revenue	Median EV/EBITDA
<5	168	1.4x	15.0x
5-20	462	2.1x	10.7x
20-50	295	2.4x	13.1x
50-100	236	3.7x	15.4x
100-500	387	4.7x	18.6x
500+	350	5.9x	22.6x
<b>Total</b>	<b>1,898</b>	<b>3.2x</b>	<b>16.8x</b>

# Multiples – Country effect

Software companies operating in the large markets with significant growth potential are often highly valued

Country	Number of deals	Median size, m USD	Median EV/Revenue	Median EV/EBITDA
USA	561	232	4.3x	21.8x
United Kingdom	212	34	3.1x	15.5x
China	168	81	4.8x	21.9x
South Korea	79	35	3.1x	19.8x
France	66	44	2.4x	13.8x
Sweden	61	15	3.0x	17.5x
Germany	57	46	2.0x	17.4x
Norway	53	15	4.8x	21.3x
Australia	50	47	3.2x	13.1x
India	45	34	2.8x	11.0x
Other	546	29	2.5x	12.2x
<b>Total</b>			<b>3.2x</b>	<b>16.6x</b>

# Table of Contents

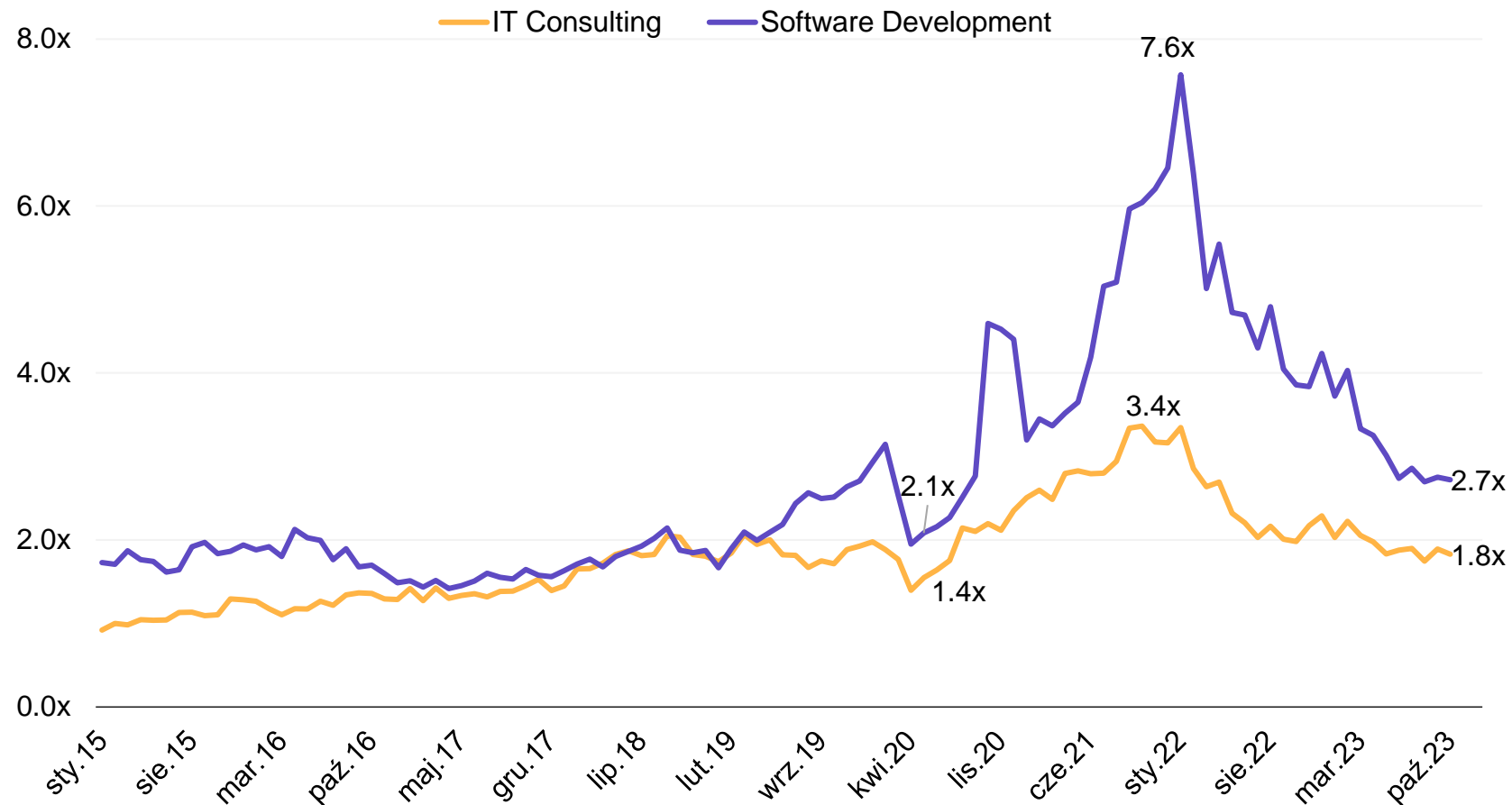
1. Software
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# Listed IT Services companies: EV/Revenue multiple

After years of stability, the revenue multiple peaked in 2021 but, with a few short breaks, has consistently declined since

Median EV/Revenue Multiple, 2015 – Q3 2023, (IT Consulting n=26 and Software Development n=10)



## Comment

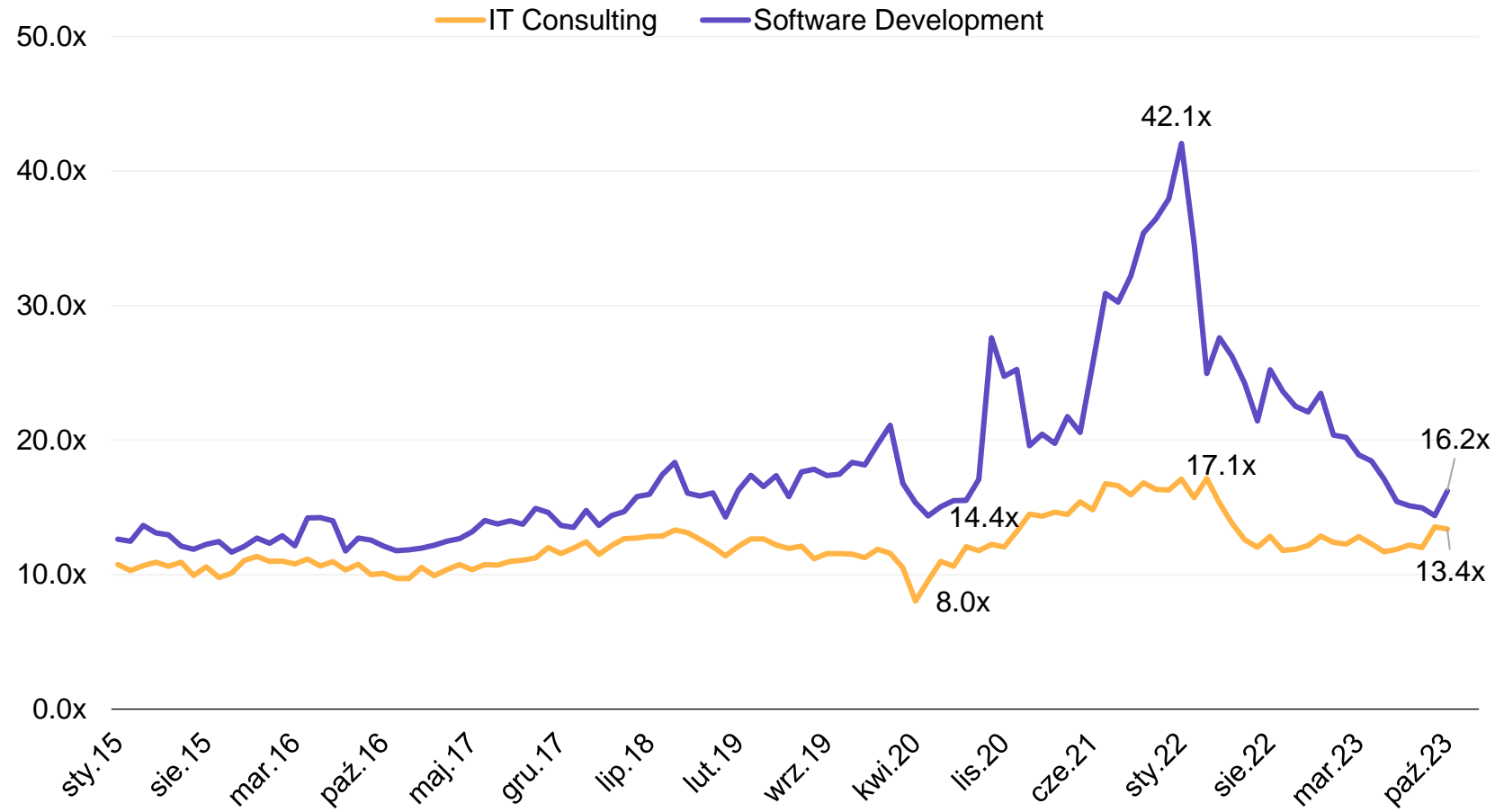
- The median revenue of IT Services has been steadily increasing until the pandemic outbreak, averaging 1.5x.
- At its peak of 3.4x, the median revenue multiple of IT Services was close to 3x above its historical average.
- After a year of stagnation, the median multiple of IT Services has fallen below the pre-pandemic levels in Q3 2023
- After its fallback in late 2020, the median revenue multiple grew steadily throughout 2021, from 3.2x to 7.6x for Software Development.



# Listed IT Services companies: EV/EBITDA multiple

The EBITDA multiple skyrocketed in 2021, particularly for Software Development, but has more than halved by the end of Q3 2023

Median EV/EBITDA Multiple, 2015 – Q3 2023, (IT Consulting n=26 and Software Development n=10)



## Comment

- IT Consulting had a relatively stable median multiple with very little volatility before the pandemic outbreak.
- The median multiple of IT Consulting peaked in late 2021 at 17.1x and has been declining since.
- The median multiple of Software Development was constantly higher than that of IT Consulting.
- The median multiple of Software Development halved in the first three months of 2022 and has declined since.

# M&A Transactions: IT Services multiples

Over the past 8 and a half years, IT service companies have been valued at around 11.1x EBITDA or 1.4x Revenue

Multiple	Sample (n)	1st quartile	Median	3rd quartile
EV/Revenue	535	0.7x	1.4x	2.9x
EV/EBITDA	324	7.2x	11.1x	18.1x
EV/EBIT	245	10.2x	15.7x	30.0x

**Search criteria:**

Industry is Computer services

Deal value is disclosed

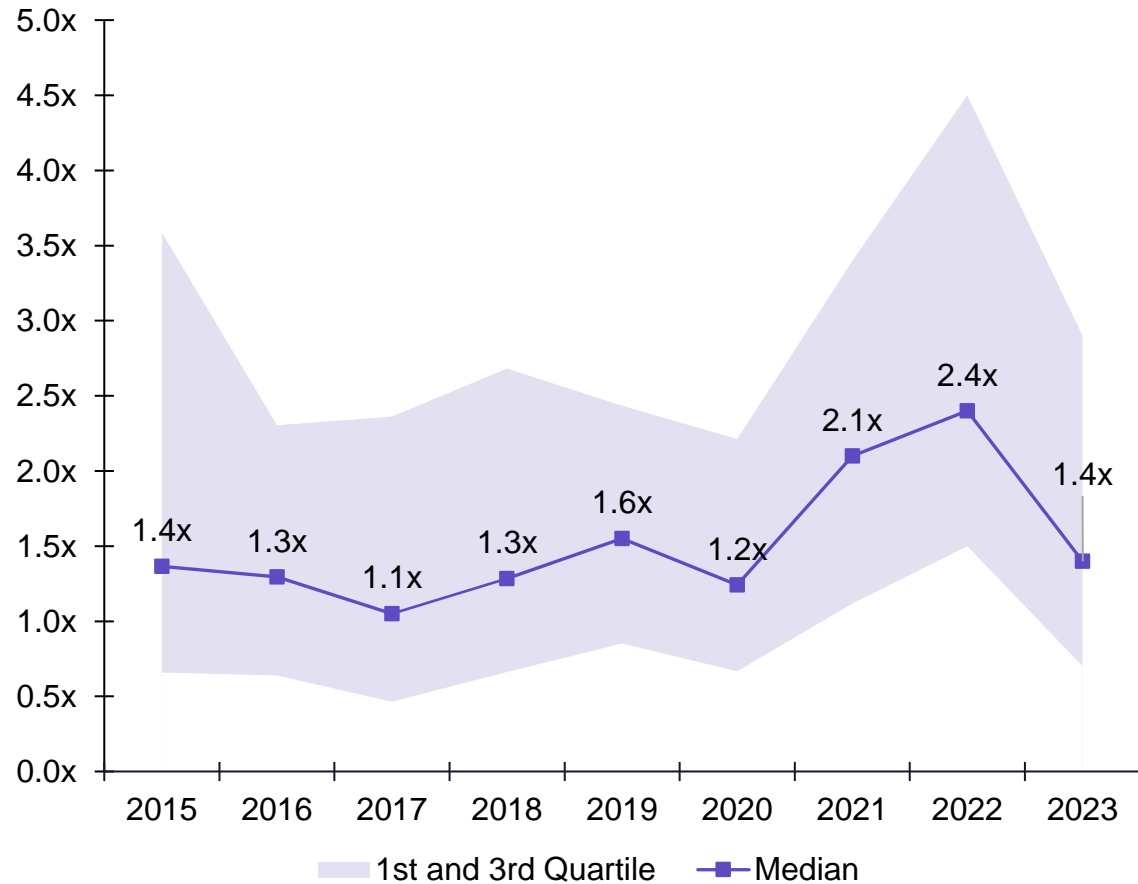
Period: 01.01.2015 – 30.11.2023

N=535 transactions

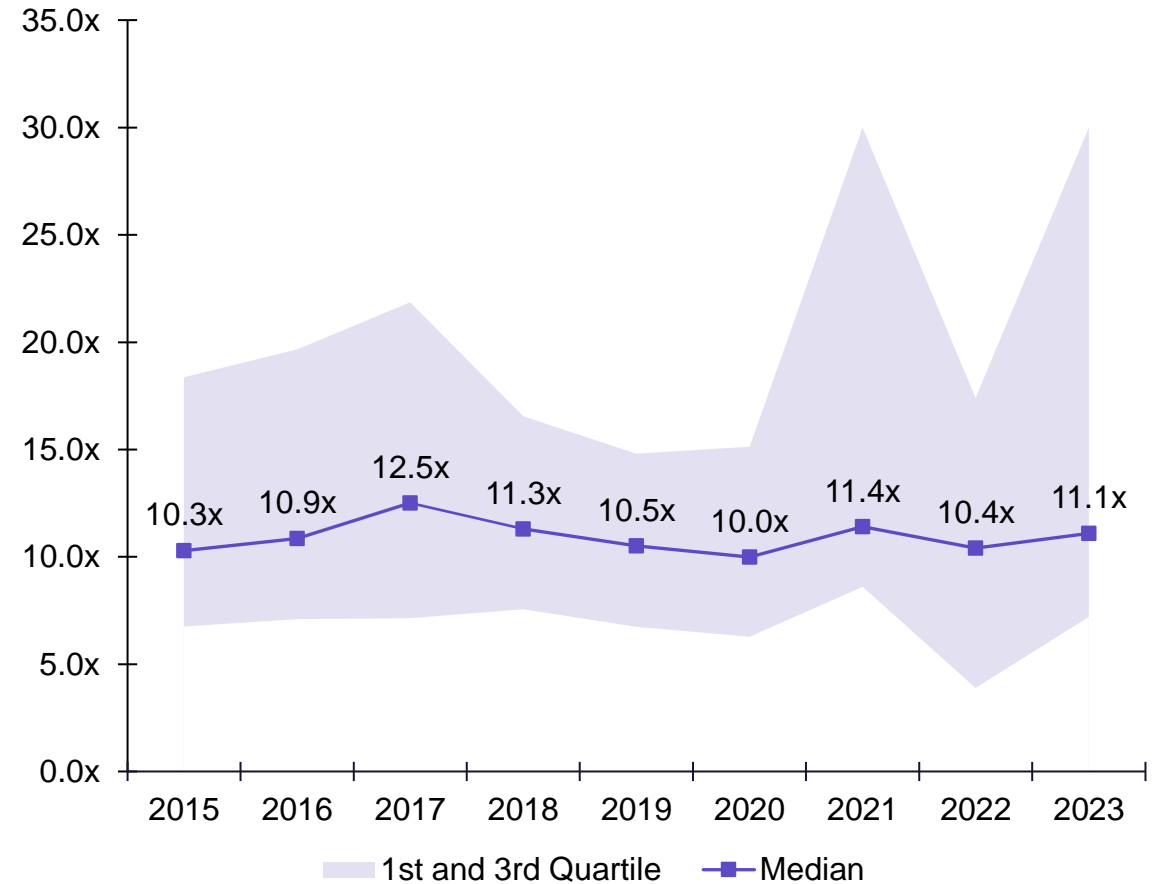
# M&A Transactions: IT Services valuations

The median EBITDA multiples had been stable, while EV/Revenue grew went through a boom-and-bust cycle between 2020 to Q3 2023

Median EV/Revenue multiple, 2015-Q3 2023 (n=535)



Median EV/EBITDA multiple, 2015-Q3 2023 (n=324)



## *M&A Transactions:* Geography effect on multiples

The region makes only little difference in IT services valuations, with companies valued similarly across countries

Region	Number of deals	Median size, m USD	Median EV/Revenue	Median EV/EBITDA
Europe	252	31	1.2x	10.1x
Asia	135	41	2.2x	12.9x
North America	112	77	1.5x	12.3x
Other	36	17	0.9x	7.7x
<b>Total</b>	<b>535</b>	<b>42</b>	<b>1.4x</b>	<b>11.1x</b>

# Table of Contents

1. Software
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# M&A Transactions: Hardware

Over the past 8 and a half years, hardware businesses have been valued at around 11.7x EBITDA or 1.5x Revenue

Multiple (2015-2023)	Sample (n)	Median size	1st quartile	Median	3rd quartile
EV/Revenue	373	\$85M	0.6x	1.5x	3.2x
EV/EBITDA	227	\$161M	6.8x	11.7x	22.1x

**Search criteria:**

Industry is Computer Hardware

Deal value is disclosed

Period: 01.01.2015 – 30.11.2023

N=373 transactions

# Contact us

[Get in touch with our advisors](#) to discuss M&A opportunities in technology



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