



Aventis Advisors

Valuation Multiples in Software

Q3 2023 update

Foreword

As a founder of a software company, you probably try to figure out the value of your business by relying on all available information – comparable public companies are the easiest to access. While this gives you a simple and understandable message, you should be mindful of the bias involved in such an approach.

Most of the software companies are not based in the US, are smaller and cannot afford to burn cash for a long time.

If your business has these characteristics, then it is difficult to get close to a dream valuation straight from NASDAQ.

Aventis Advisors has analyzed private M&A transactions, discovering that valuation multiples of software companies are rather stable and vary depending on the company size and geographical location.

We are proud to share with you a set of conclusions, hoping that we contribute to a better understanding of the software market valuations among companies' founders and investors.



Marcin Majewski

Founder & Managing Director

Aventis Advisors

Multiples

Over the past 7 years, software companies have been valued at around 16.6x EBITDA or 3.2x Revenue

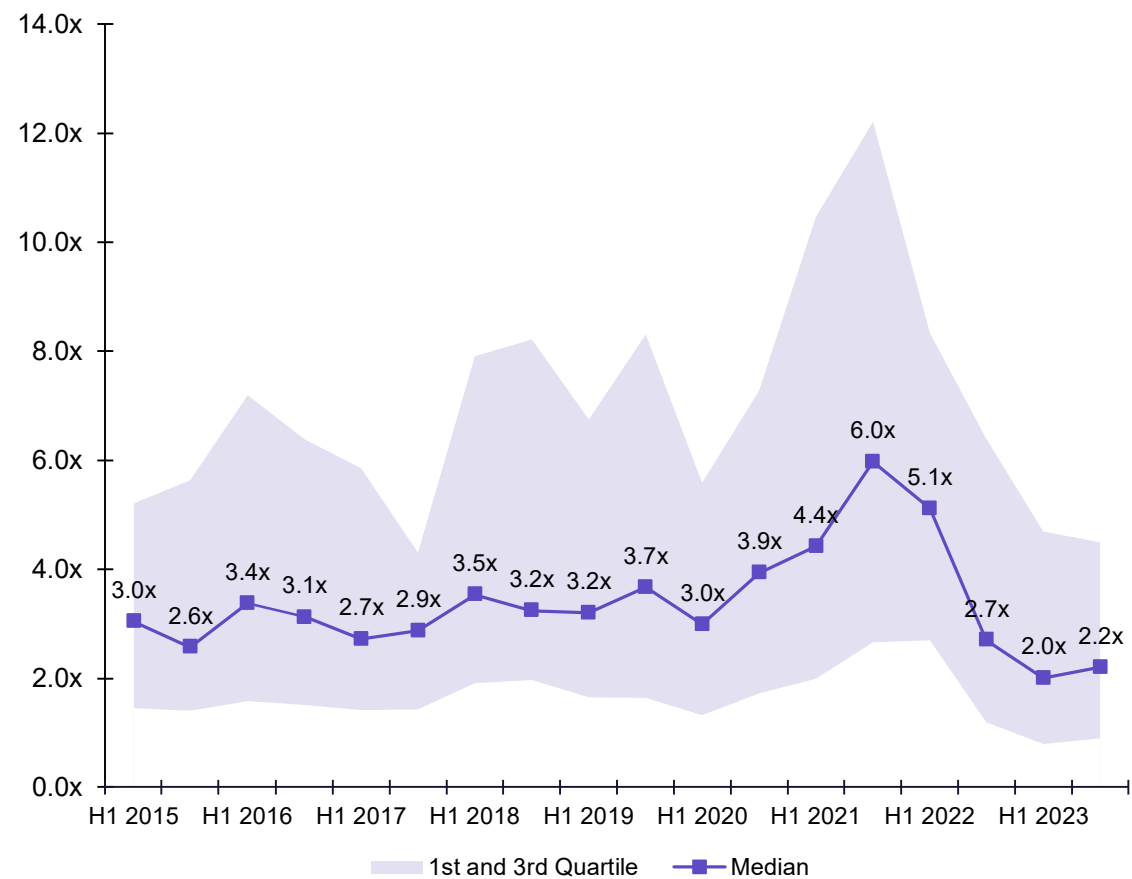
Multiple	Sample (n)	1st quartile	Median	3rd quartile
EV/Revenue	1,915	1.6x	3.2x	6.8x
EV/EBITDA	883	10.0x	16.6x	32.1x
EV/EBIT	739	12.5x	23.0x	50.6x

Search criteria:
Industry is Application software or Operating systems and systems-related software
Deal value is disclosed
Period: 01.01.2015 – 19.12.2023
N=1,915 transactions

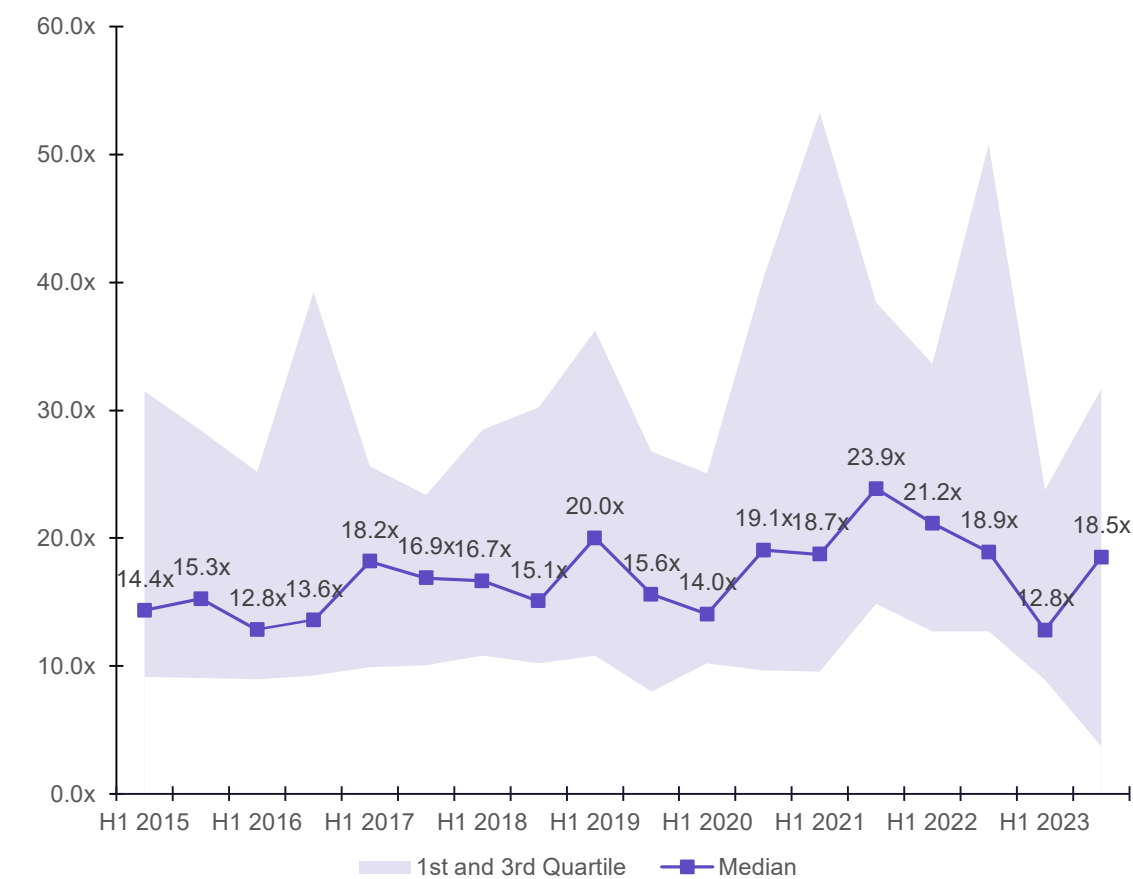
Software Valuations

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	169	2.9x	14.5x
5-20	465	2.1x	10.8x
20-50	298	2.4x	12.9x
50-100	238	3.5x	14.9x
100-500	391	4.7x	18.6x
500+	354	5.8x	22.6x
Total	1,915	3.2x	16.8x

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	564	229	4.3x	21.9x
United Kingdom	213	34	3.1x	15.5x
China	170	80	4.7x	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	47	34	3.0x	13.3x
Other	555	29	2.5x	12.2x
Total	1,915	55	3.2x	16.6x

About Aventis Advisors

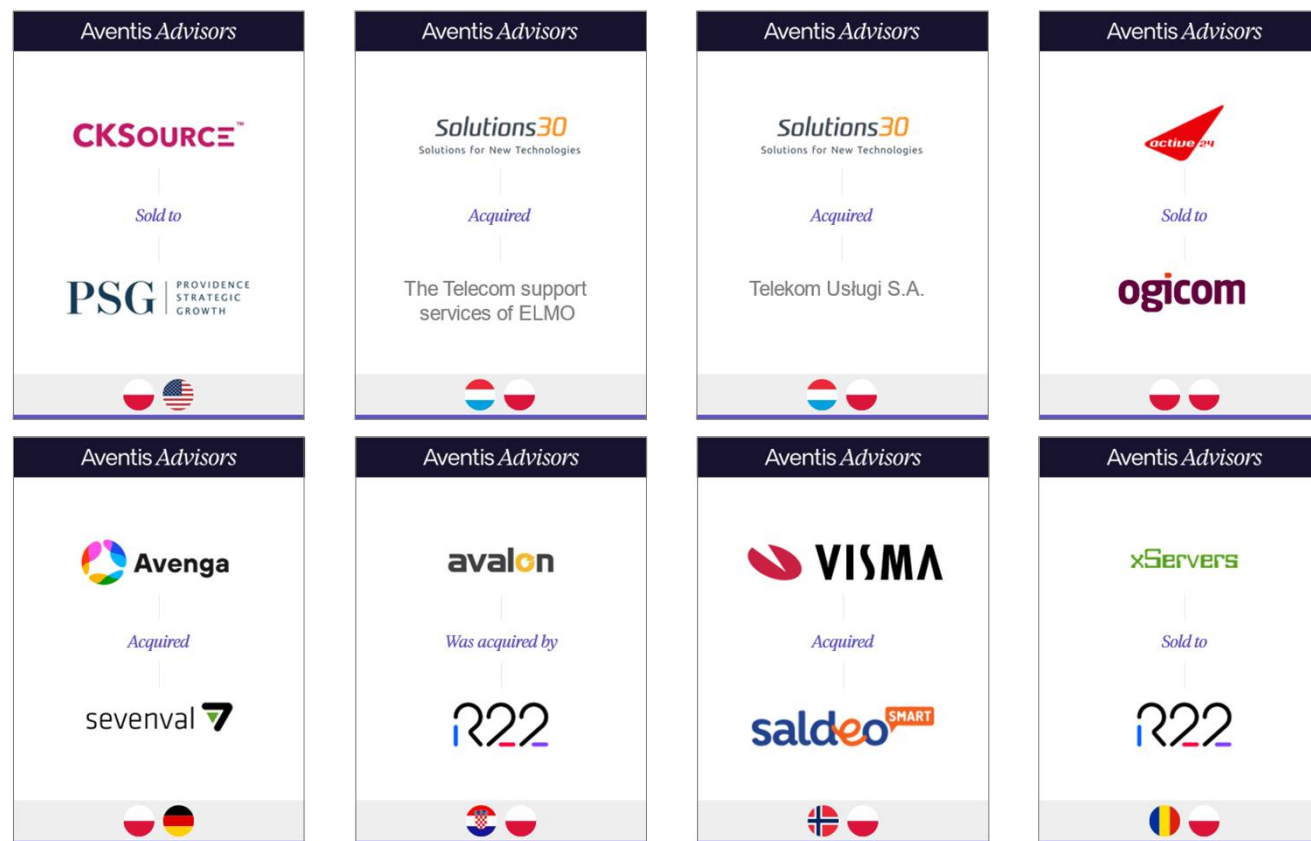
What do we do?

We are an M&A advisor focusing on technology and growth companies. We advise on company exits, acquisitions, and larger capital raising deals.

Over the years, we have developed a distinctive operating philosophy driven by a set of values.

- We believe the world would be better off with fewer (but better quality) M&A deals done at the right moment for the company and its owners.
- We start with a simple rule: we take the time to carefully listen and understand each client's unique set of needs and goals.
- We then provide honest, insight-driven advice clearly laying out all the options before you – including the one to keep the status quo.

Selected closed deals



Contact us

[Get in touch with our advisors](#) to discuss how much your business could be worth and how the M&A process looks.



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