

greenstep



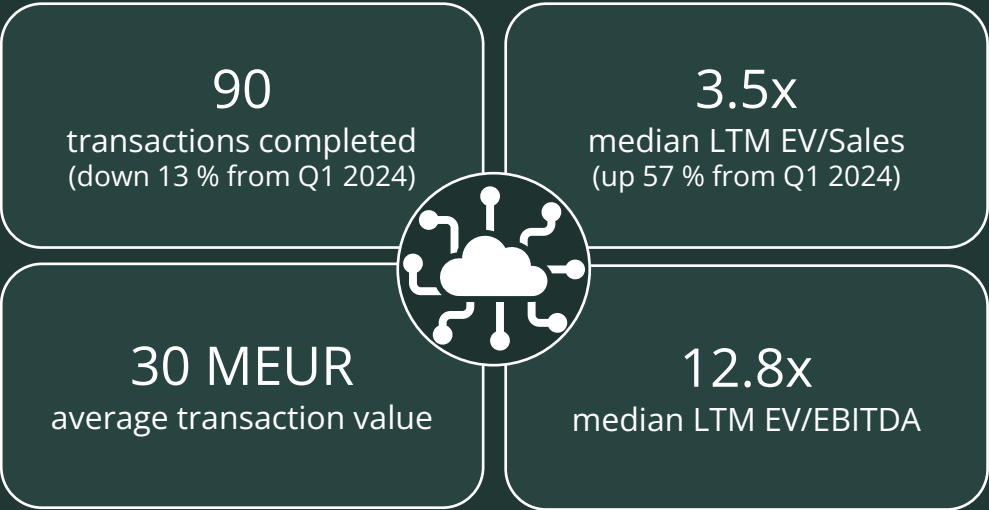
M&A report Q1 2025
Software & Services / Industrials markets

Key comments

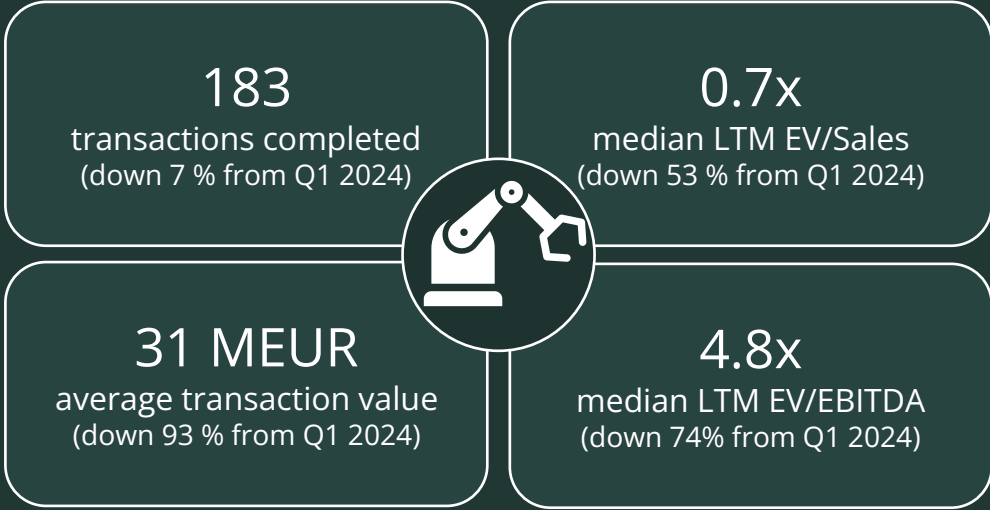
- ✓ Comparing Q1 2025 to Q1 2024, Nordic companies acquired 9 % less companies.
- ✓ Both software & Services and Industrial indices, as well as the number of transactions fluctuated a lot in the recent years. After peaking in 2021, there has been a gradual recovery after a dramatic decline.
- ✓ Factors supporting recent stability and potential growth in the near future include increased digital transformation, resilience of the Nordic markets and lower interest rates and inflation.
- ✓ In Q1 2025 acquisitions made by Nordic companies decreased by 9% compared to Q1 2024. Software & Services sector acquisitions decreased by 13% while Industrials sector decreased by 7%.
- ✓ Most of the acquisitions (97%) were made by industrial buyers compared to funds (3% of acquisitions).

Key statistics

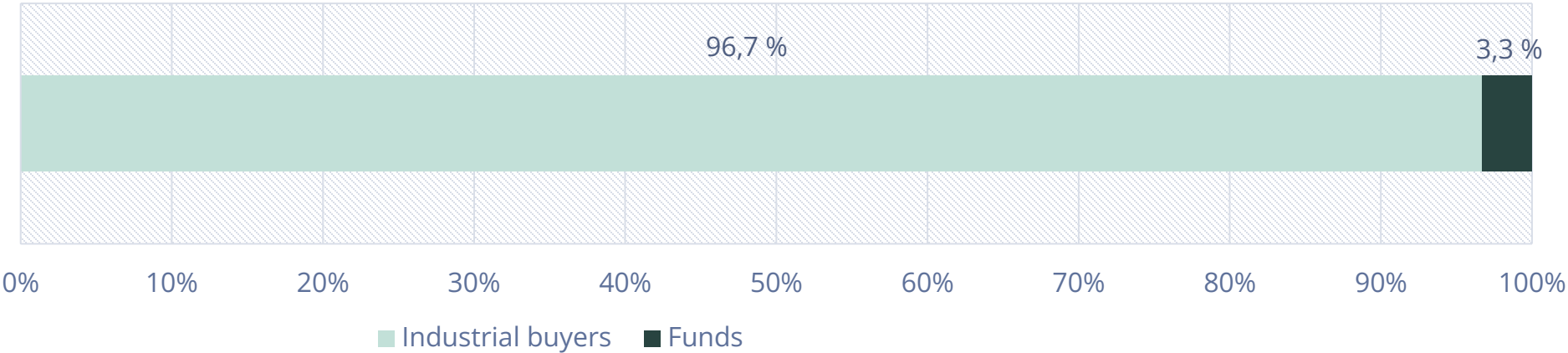
Software & Services



Industrials



Share of buyers from all transactions



Nordic transactions

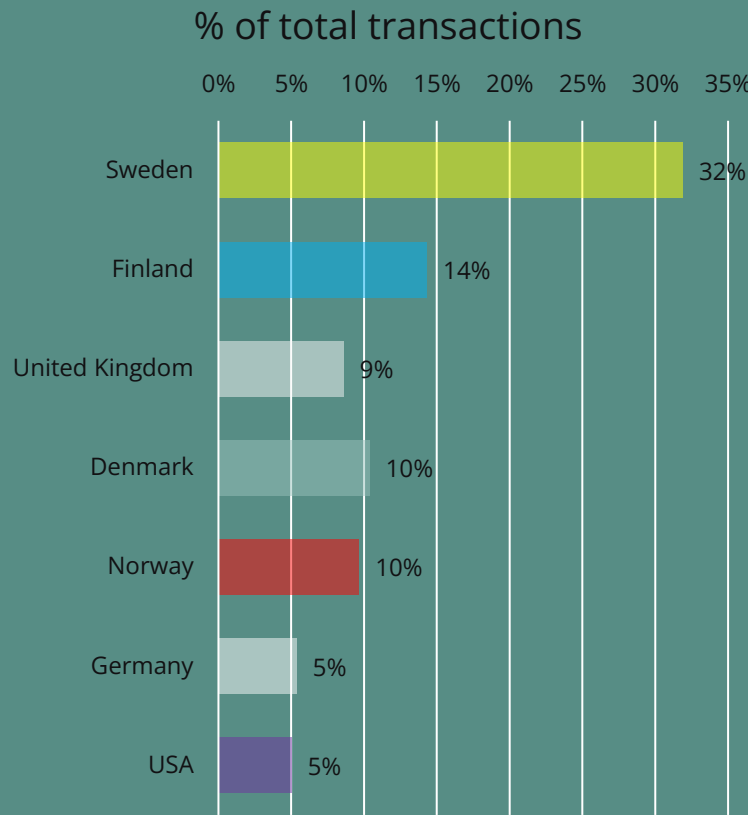
Nordic countries' acquisitions in Q1 2025 per target location

Transactions made outside Europe:

USA	14 transactions
Canada	3 transactions
Colombia	2 transactions
Turkey	1 transaction
India	3 transactions
Singapore	2 transactions



- This map contains all transactions that the Nordic countries made during Q1 2025 in the Software & Services and Industrials sectors divided to target's country.
- Most transactions did not have transaction value available, which is why we have only the number of transactions made shown.





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Software & Service largest transactions





Buyer country	
Target country	
Announced date	12.2.2025
Deal value	160 MEUR
Stake	100%





Buyer country	
Target country	
Announced date	7.2.2025
Deal value	59 MEUR
Stake	100%
Target revenue	12 MEUR





Buyer country	
Target country	
Announced date	18.2.2025
Deal value	54 MEUR
Stake	80%
EV/Revenue LTM	2.3x

Industrials largest transactions




Buyer country	
Target country	
Announced date	5.2.2025
Deal value	176 MEUR
Stake	100%
EV/Revenue LTM	2.3x
Target revenue	77 MEUR



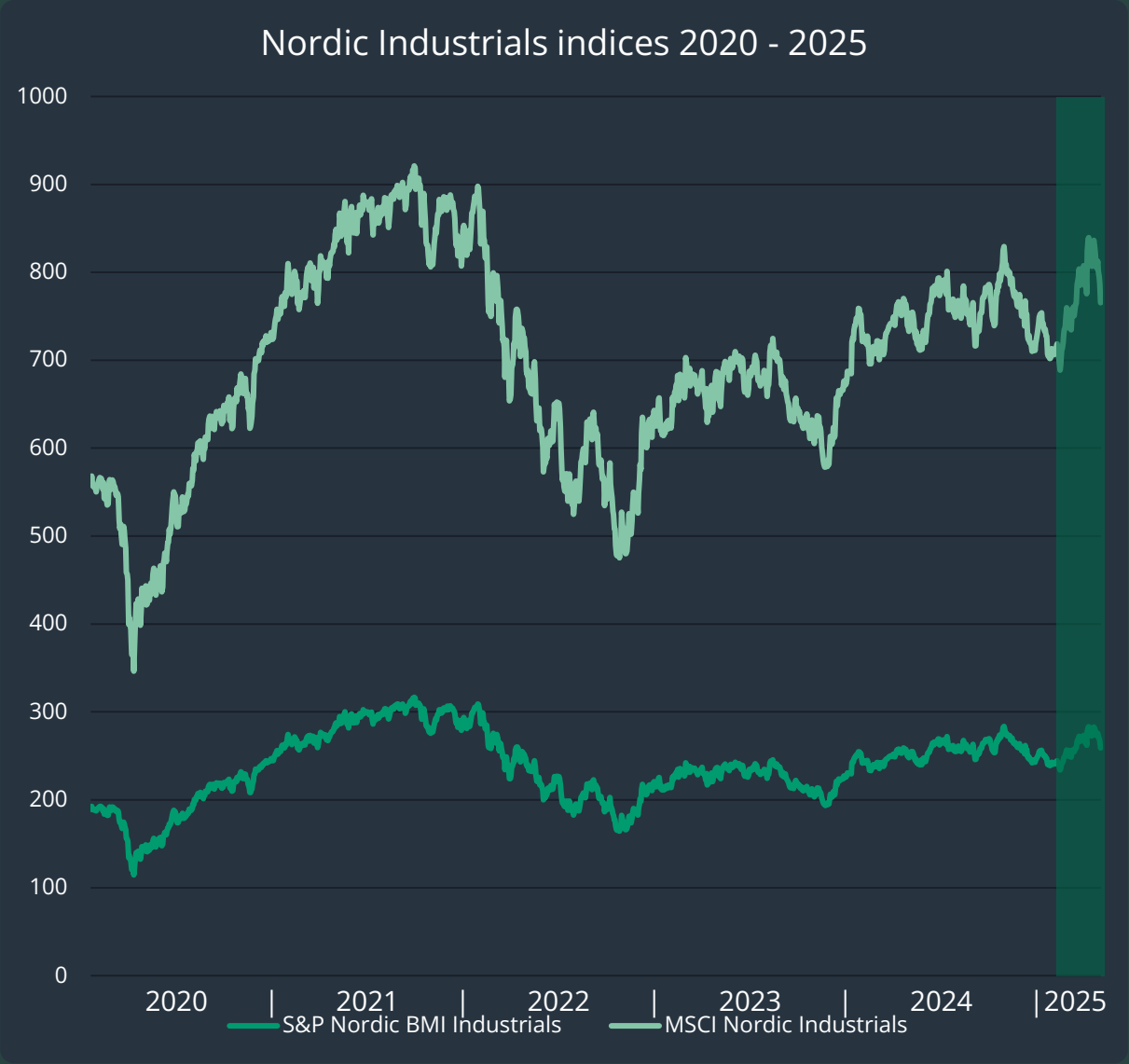
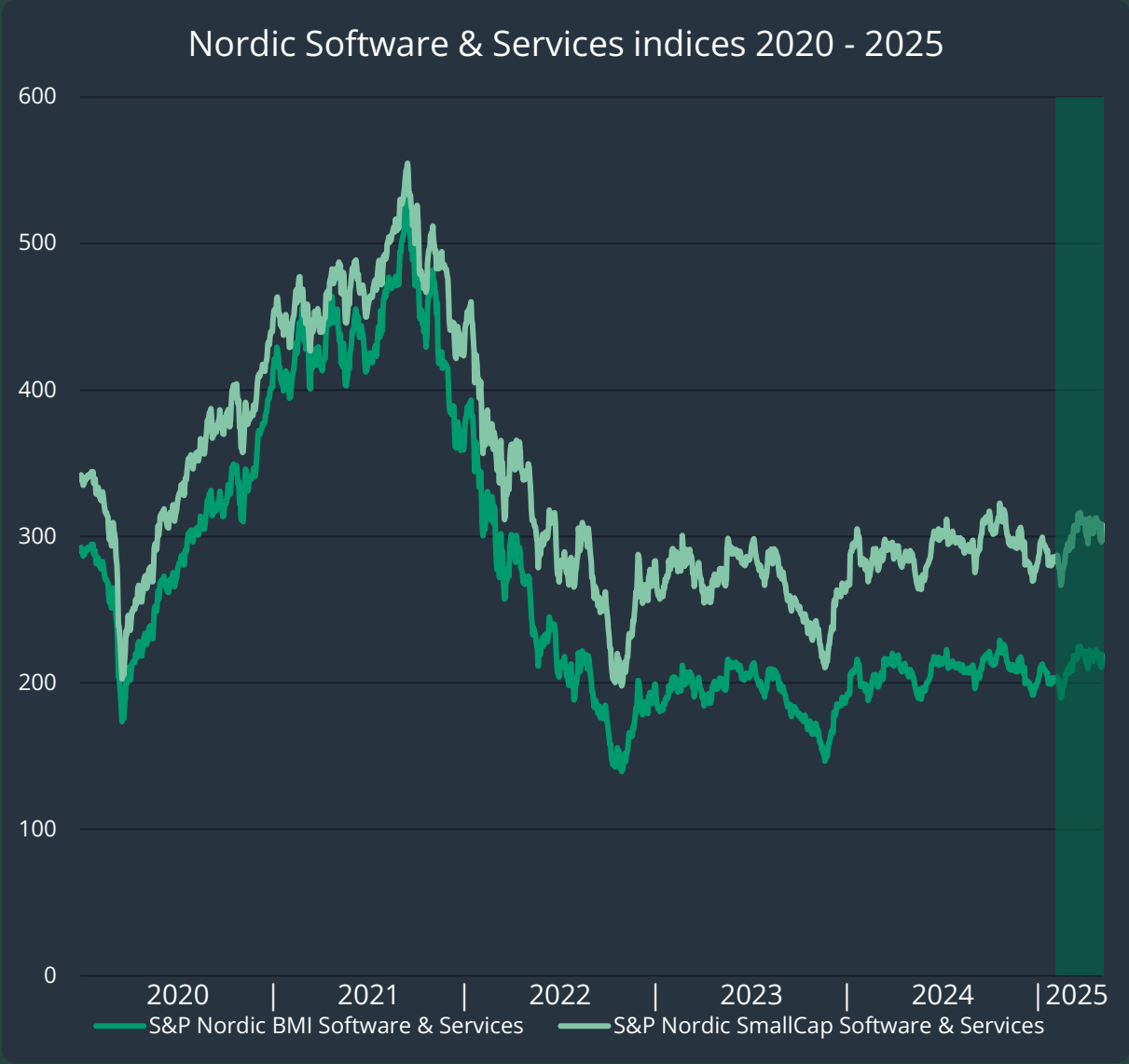
Buyer country	
Target country	
Announced date	12.3.2025
Deal value	128 MEUR
Stake	100%
EV/Revenue LTM	1.0x
Target revenue	122 MEUR



Buyer country	
Target country	
Announced date	20.3.2025
Deal value	83 MEUR
Stake	100%
EV/Revenue LTM	0.5x
EV/EBIT LTM	6.6x
Target revenue	156 MEUR



Indices



Market analysis

Analysis of S&P's Nordic Software & Services indices

The S&P Nordic Software & Services Indices have exhibited significant fluctuations in response to the global economic landscape, particularly following the impact of the COVID-19 pandemic. Following a substantial recovery after the initial dip caused by the pandemic, the indices reached a peak in the second quarter of 2021. However, this peak was followed by a notable decline, with the indices experiencing a decrease of over 50 % by the third quarter of 2023. This decline can be attributed to various factors, including market corrections, shifts in consumer behavior, and broader economic uncertainties.

In the more recent period, from the third quarter of 2023 through to the first quarter of 2025, the indices have demonstrated relative stability and gentle growth. This stabilization suggests a potential consolidation phase for the Software & Services sector in the Nordic region, as companies adapt to the evolving market conditions and focus on sustainable growth strategies.

Several factors may contribute to this stability, including:

- **Increased Digital Transformation:** Organizations across various sectors are accelerating their digital transformation initiatives, driving demand for software and services.
- **Resilience of the Nordic Market:** The Nordic region has shown resilience in its economic recovery, with strong fundamentals supporting the software and services industry.
- **Investment in Innovation:** Companies are increasingly investing in innovative solutions to enhance operational efficiency and customer engagement, which may bolster market confidence.

In summary, while the S&P Nordic Software & Services Indices experienced a significant decline following their peak in late-2021, the recent period has shown signs of stabilization and even small growth. As the market continues to evolve, it will be crucial for stakeholders to monitor these indices closely, as they reflect broader trends in technology adoption and economic recovery within the Nordic region.

Analysis of S&P's and MSCI's Nordic Industrials indices

The MSCI and S&P Nordic Industrials indices experienced a relatively modest decline in prices during the COVID-19 pandemic compared to other sectors. This was followed by a more moderate recovery as the market adjusted to the new economic realities. While the initial impact of the pandemic led to a dip in the prices of the Nordic Industrials Indices, the decline was less pronounced than that observed in other sectors, such as Software & Services. Following this initial dip, the indices demonstrated a gradual recovery. A parallel trend can be observed in the price movements of the Nordic Industrials Indices, particularly between the fourth quarter of 2021 and the second quarter of 2022. During this period, both the industrials and software & services sectors experienced a downturn, reflecting broader economic challenges and uncertainties.

More recently, the Nordic Industrials have shown a moderate increase in prices, indicating a stabilization and gradual recovery phase. Q1 2025 the Nordic Industrials indices saw a large increase after a decrease at the end of 2024. This fluctuation suggests potential market adjustments or external economic pressures that may be influencing investor sentiment.

Several factors may be contributing to the trends in the Nordic Industrials Indices:

- **Economic recovery:** The gradual recovery of the Nordic economy has supported industrial growth, albeit at a moderate pace.
- **Supply chain adjustments:** companies within the industrial sector have been adapting their supply chains in response to disruptions, impacting pricing dynamics.
- **Inflationary Pressures:** Rising and falling costs and inflation may have influenced pricing strategies, leading to fluctuations in the indices.

In summary, the MSCI and S&P Nordic Industrials Indices displayed a smaller dip during the COVID-19 pandemic, followed by a moderate recovery. The price trends observed from Q4 2021 to Q2 2022 mirror those of the software and services sector, highlighting the interconnectedness of these markets. As we move into Q2 2025, the large increase in prices may warrant close monitoring, as it reflects ongoing adjustments within the industrial landscape and broader economic conditions.



Letter from the editors

In Q1 of 2025 the M&A activity in the Nordics experienced a slight decline, with a total of 273 transactions completed in the Software & Services and Industrials sectors combined, down from 300 transactions in Q1 2024.

In the Software & Services sector, 90 transactions were recorded, reflecting a 13 % decrease in deal numbers. The median EV/Sales LTM multiple increased to 3.5x from 2.2x in Q1 2024, while the median EV/EBITDA LTM multiple decreased to 12.8x from 15.7x. 98 % of buyers were industrial buyers and 2 % were funds.

This growth can be attributed to several factors, including increasing demand driven by ongoing digital transformation initiatives, a more favorable investment climate with more accessible financing due to decrease in interest rates and inflation, and the overall stability of the sector, which has fostered confidence among investors.

Similarly, the Industrials sector saw a decrease in M&A activity, with 183 transactions completed compared to 196 in Q1 2024. Valuation multiples also declined, with median EV/Sales LTM multiple dropping to 0.7x from 1.5x and the median EV/EBITDA LTM multiple dropping to 4.8x from 18.7x in Q1 2024. 96 % of buyers were industrial buyers and 4 % were funds.

The driving factors behind this decline include economic uncertainty, which has led to hesitancy in dealmaking, market volatility characterized by fluctuations in commodity prices and supply chain disruptions, and a reassessment of risk by investors reflected in the decreased valuation multiples. Even though indices' prices have seen an increase (especially the industrials indices) in Q1 2025, the transaction multiples have decreased in the industrials sector. Software & Services transaction multiples have however, developed more favorably.

Overall, while the indices have shown resilience amidst economic uncertainty, both sectors have faced challenges that have resulted in a notable decline in M&A activity. However, with the recent easing of interest rates and inflation, there is potential for renewed investments and growth in the coming quarters.

This report reflects the M&A markets in the Nordics (Finland, Denmark, Iceland, Sweden and Norway). Deal volume, transaction information, and multiples are sourced from S&P Capital IQ. LTM numbers were used instead of NTM, since there was too little data on the forward-looking multiples.



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