

Upcoming Tech Trends from Industry Giants

GS-insight talks with Pietro Strada, Managing Partner of Silverpeak, the technology investment bank, to uncover today's state of play in software M&A in Europe and to get the lowdown on how opportunities for buyers and targets are changing.

When it comes to tech M&A, Silverpeak is growing in recognition and deal count. How did you get here?

The founders of Silverpeak, of whom I am one, were already running their own independent firms. It was time to grow so we could serve bigger companies. Through 2015-16, we joined forces to create a 45-strong global team that delivers what we all believe in – optimal results for the client.

We have one of the best teams of tech-bankers on the planet providing both local support and global reach to increase the chances of success for our clients. Whether it's independent advice, negotiation strategy or strategic perspective on a particular segment, we're here to execute and complete even the most complex deals and achieve the objective of our mandate: to deliver the best result for our clients and make more money for everyone in the process.

You're known for deep sector knowledge and publish in-depth reports. How do you stay on top of market changes?

A lot of our intelligence and sector knowledge comes from deal-making and speaking with many of the key players. The founders of Silverpeak each have more than 20 years of experience exclusively focused on tech.

We also look over the horizon by taking a view about future developments in the technology landscape: where will the next big wave of investment go? In which area is a certain large player likely to make acquisitions? What are the main drivers of valuations to achieve strategic premiums? How are investors and buyers behaving?

Our sector knowledge is definitely one of the things our clients value in our services: they do not have to



Pietro Strada, Managing Partner of Silverpeak

explain their business to us, because we get it, and we can represent their companies in the best way in front of potentially interested parties.

For example, we recently published a report that analyses the acquisition behaviour of the large “software giants” and their interest in European software companies. The insights gained are valuable in many of the deals that we are working on.

Your latest report focuses on European tech M&A. If you had to choose one piece of insight, what would it be?

There's a traditional assumption in our industry that when it comes to an exit, a European software business will automatically turn to US buyers. That assumption isn't always right. Buyers of European software firms are not

always US giants, as the report shows.

2018 has been a dynamic time in the industry, and we're seeing increased M&A activity by the software giants: in 2017 we saw 216 completed or announced acquisitions by global software and SaaS giants; based on activity in the first half of this year, Silverpeak is projecting over 230 deals for 2018.

Of the largest global software companies, the top six are HQ-ed in the US or Canada. Overall, 64 per cent of the industry's giants are American.

However, repeat buyers of European software companies tend to be more European than US-based. The US titans are under-represented.

Only nine acquisitive software giants are among the top 30 repeat buyers of European companies, and they're not all American.

Global software giants
(>10 acquisitions)

Buyers of European software & SaaS companies
(≥ 5 acquisitions)



Source: S&P Capital IQ, Silverpeak analysis

What is the role of financial buyers?

Strategic buyers dominate most of the acquisitions. But there is an upward trend in the involvement of financial acquirors: in H1-2018 14 per cent of the acquisitions of European software companies were by funds (only 3 out of 16 are American), double the 7 per cent seen in 2012-13.

The lines between strategic and financial buyers are also blurring, with some of the strategic buyers like Constellation Software and J2 Global behaving like financial investors.

Which European countries do best in the sales tables?

British, German and French targets account for over half of European acquisitions. Most sales are cross-border almost by definition because Europe is so fragmented; a lot of European countries are too small to have a local pool of buyers.

Are any upcoming groups of buyers of interest to software firms?

China's share of the global software giants is growing and now stands at 14 per cent (i.e. 12 large software companies, many of which are relatively unknown) Whilst the Chinese have tended to acquire local software targets, this is starting to change

and their appetite for quality assets globally is increasing.

Might US industry titans be missing an opportunity?

There are an increasing number of quality software and SaaS companies in Europe. But some of the US large players have limited local knowledge of European markets and to develop such knowledge they would need a presence on the ground. In that sense they may be missing an opportunity to expand internationally by acquisition.

Read the Silverpeak report Are US software giants missing out on European targets? [here](#)