

UK Software Market

High level view of M&A in the sector 2019-2025

Foreword

By Darren Hodson, Head of Corporate Finance

“The UK software sector is an attractive sector for M&A, driven by recurring revenues, scalability, innovation and adaptability. The key trends for FY25 include:

- **AI and data analytics:** Software companies are leveraging AI for predictive analytics, enhancing decision-making, and mitigating risks
- **Financial inclusion and literacy:** Efforts to bridge the financial literacy gap and expand access to financial services are on the rise
- **Sustainability and green:** Companies are developing solutions that promote sustainability, such as green finance products and carbon footprint tracking
- **Digital revolution:** The adoption of cloud computing and increasing use of SaaS. The proliferation of IoT devices is expected to continue, leveraging data generated from these devices to make decisions. Hybrid cloud strategies are likely to be increasingly popular

Average deal statistics for 2025 H1

230

Deals

7.9x

EBITDA
multiple

2.9x

Revenue
multiple

£11m

Revenues

Fintech

Largest subsector

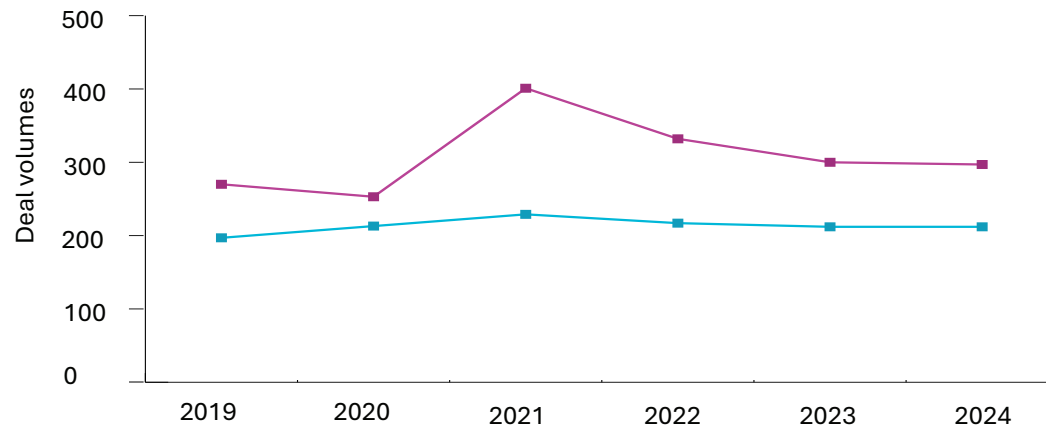
The UK is also one of the strongest players in Europe, accounting for two-thirds of the total volume of deals in the first half of 2025.

EBITDA valuation multiples have decreased in H1 25 in the UK with similar trends globally, it's not 100% clear what is driving this but it appears that AI is starting to disrupt existing SaaS models and this is impacting valuations for SaaS businesses. However quality assets with strong recurring revenue, defensible niches, and AI integration still attract premiums. Software businesses need to future proof their revenues.”



UK Software M&A (by volume)

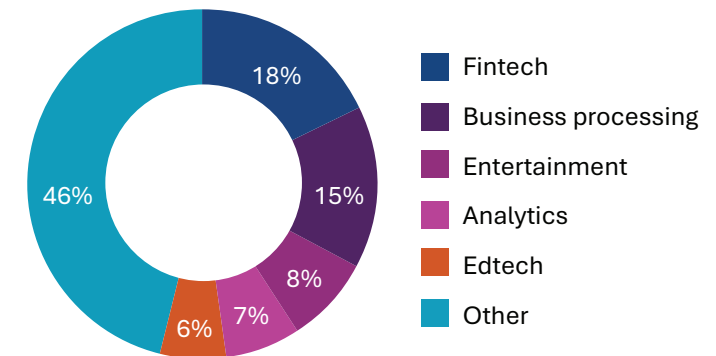
Deal volumes by year



Source: MarketIQ and PKF Smith Cooper analysis

Trade buyers Financial buyers

Deal volumes by sub-sector 2024



c.500 software deals a year involving UK software companies, c.230 deals in the H1 of 2025 with c.130 within trade.

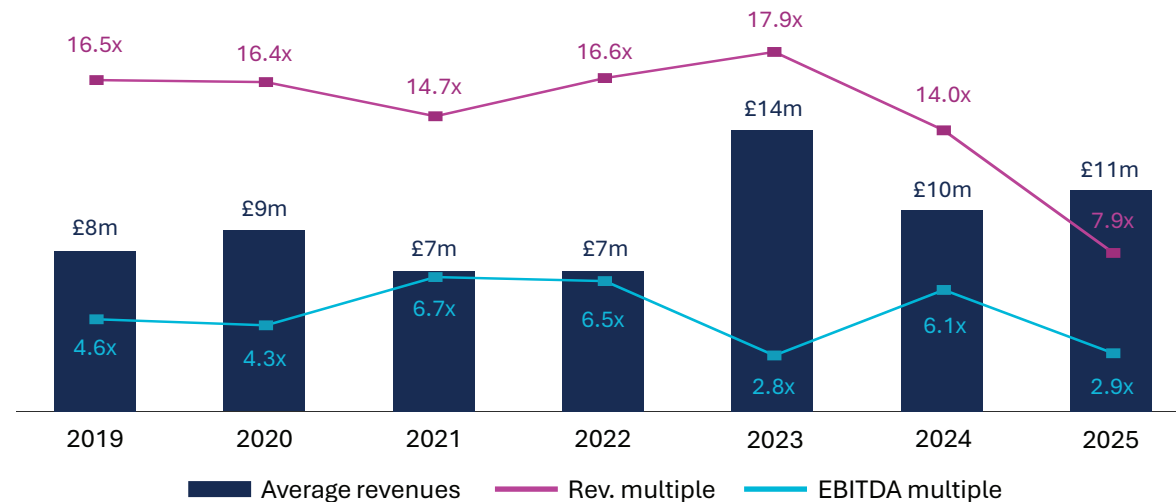
Fintech remains the strongest UK sector: representing c.20% of all UK software deal volumes.

Financial purchasers remain a strong purchaser group: software investments remains the largest investment class for UK private equity with 'dry powder' available to support development capital and buy-outs.

"Normal" levels of M&A: software deal volumes have followed trends in the whole M&A market having increased in 2021 following the impact of Covid and then decreases to more normal levels. Current M&A volumes remain robust.

PKF Mid-Market Software Valuation Index

For disclosed private transactions, involving UK software businesses, sold in the mid-market (values from £5-£250m).



Source: Mark to Market and PKF Smith Cooper analysis









Data based on an **average c.50 deals per annum** of disclosed mid-market software deals (for UK sellers).

Revenue multiples fell to an average of c.2.9x in the first half of 2025, which is more in-line with 2023 levels.

EBITDA multiples have averaged approximately 14.9x over the past six years. However, in 2025, the multiple has declined to 7.9x which is a market decrease. We believe this is partly because SaaS valuations are down because of the threat of AI.

Limitations: Data is based on historical public data actual multiples may vary. Multiples will vary by subsector. Smaller sized businesses typically obtain lower multiples. Deal consideration includes maximum earn-out potential where known.

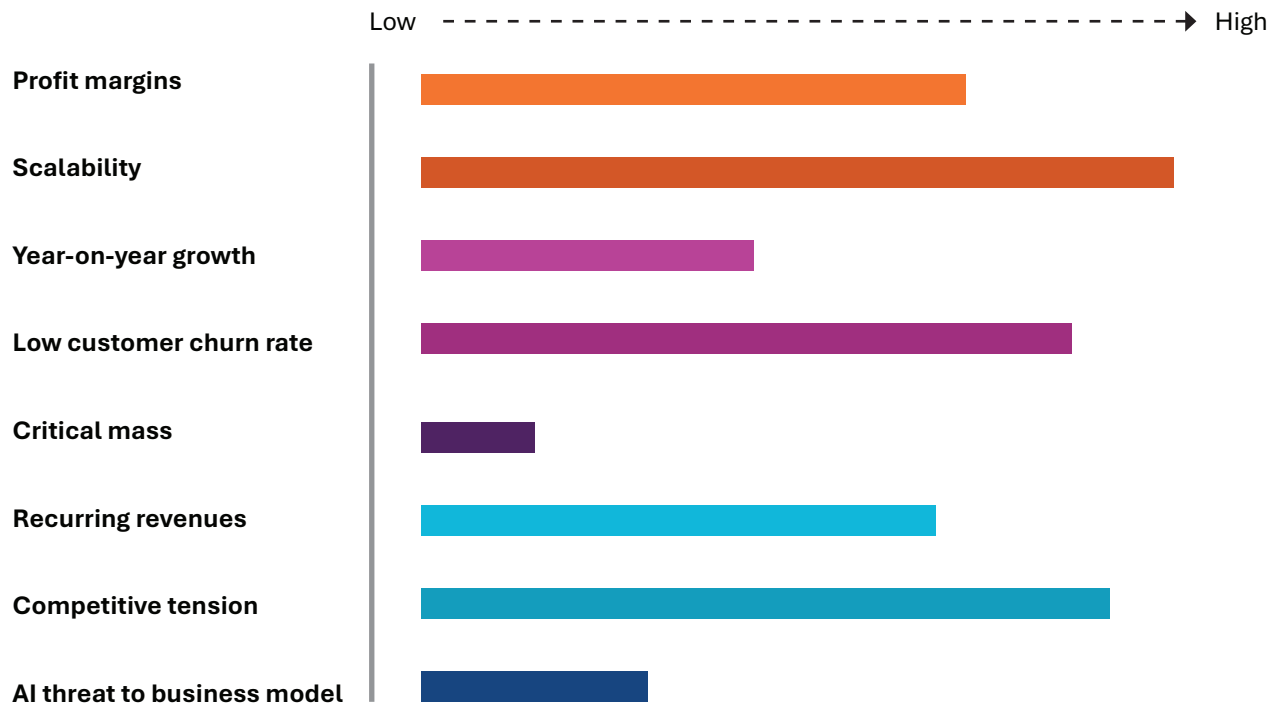
Selected Disclosed 2025 H1 Deals

Target	Acquiror	Target description	Acquiror description	Deal size	REV	EBITDA	EV/REV	EV/EBITDA
 blis	 T Mobile	Blis develops a digital advertising platform that enables brands and media agencies to plan and buy campaigns with personalised targeting and performance, without relying on personal data.	T-Mobile Advertising is the media and marketing division of T-Mobile, providing targeted advertising solutions using data from its mobile network. It delivers ads across mobile devices, retail locations, and digital screens, with an emphasis on privacy, audience reach, and performance tracking.	£135m	£82.9m	£15.9m	1.6x	8.5x
 Advantage GO™	 SAPIENS	Developer of a commercial insurance and reinsurance software intended to create an intelligent digital strategy in partnership with a leading IT provider. The company's software provides future-focused commercial (re) insurance management systems.	Sapiens provides software solutions for the insurance sector, with a growing focus on financial services. Its products cover property, reinsurance, life and pensions, workers' compensation, medical liability, compliance, and decision modelling.	£43m	£15.0m	N/A	2.9x	N/A
 PLIANZ	 idox	Plianz is a provider of automated software solutions to local authorities and professional deputies in legal, financial management and local government operations in the UK, helping to address the growing challenges of regulatory compliance.	Idox supplies software and services for local government and public sector organisations. Its solutions support information management, document control, workflow, and elections management.	£8m	£2.5m	£0.6m	3.2x	12.6x
 hfx it's about time	 AdvT	Provider of workforce management services across various sectors. The company offers time and attendance tracking, rostering, data collection devices, automated attendance recording, mobile workers, and hybrid work planning.	ADVT provides software solutions for business, healthcare compliance, and human capital management. Its products support organisations in achieving financial and digital strategies.	£5m	£3.6m	£1.1m	1.4x	4.4x

Unlocking Higher Exit Multiples

To achieve the right valuation you need to carefully position your business, and this is even more important today with SaaS revenue models being threatened by the use of AI. Deal valuations have significant range variability depending on the type of business, and purchasers tend to look at certain KPIs such as scalability, levels of recurring revenues and low customer churn. To maximise value running the right deal process to maximise competitive tension can also help unlock higher multiples.

Illustrative Key Performance Indicators



Significant care is required when valuing a software business. We typically work with our clients to assess specific KPIs for your sector that will help position your business for exit or investment.

About PKF

PKF is a global accountancy practice with over 480 offices worldwide, with PKF Smith Cooper operating across the UK from the Midlands, with clients at the heart of everything we do.

PKF Smith Cooper

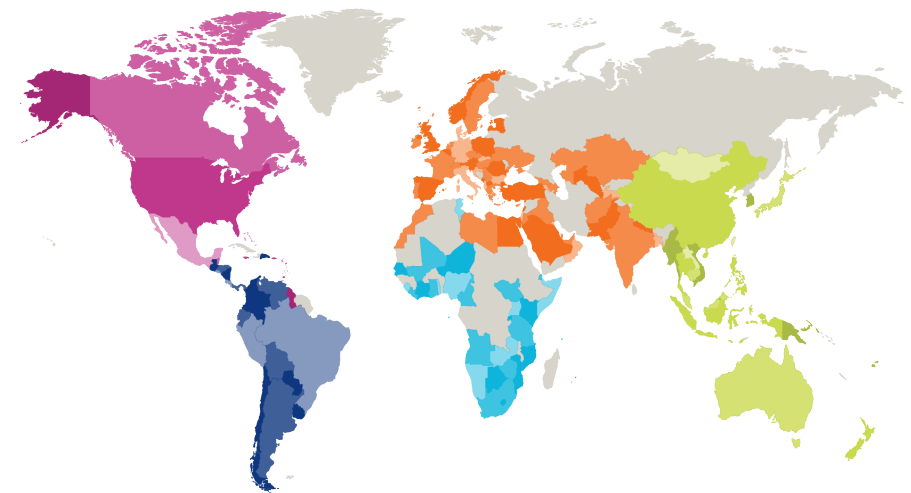
An ambitious business and multi award winning firm, we are the home of PKF in the Midlands. As one of the region's leading firms of trusted accountants and business advisors, we operate across the whole of the country.

Our specialist teams are made up of highly skilled individuals who provide leading accounting, tax and business advisory services, working alongside clients to gain a strong understanding of their business and their ambitions. Our membership of PKF Global makes us, together with our associates, the 12th largest firm by fee income in the UK, and 14th internationally.

Being part of a wider practice allows us to draw on expertise (separately engaged) that can be useful on transactions. Examples include assessing accounting policies to maximise value, the provision of vendor assistance work, supporting on due diligence defence and ongoing wealth management.

PKF Global

Operating in 150 countries, PKF provides you with access to a wealth of buyers. We have a large presence in all key territories for buyer groups including the Far East, USA, Australia and Europe. Our offices provide local knowledge in each territory, and we can utilise this local knowledge to determine potential acquirers. The local team may then assist in making introductions.



23,000

professionals
across the globe

\$2.1b

revenue
generated by
member firms

150

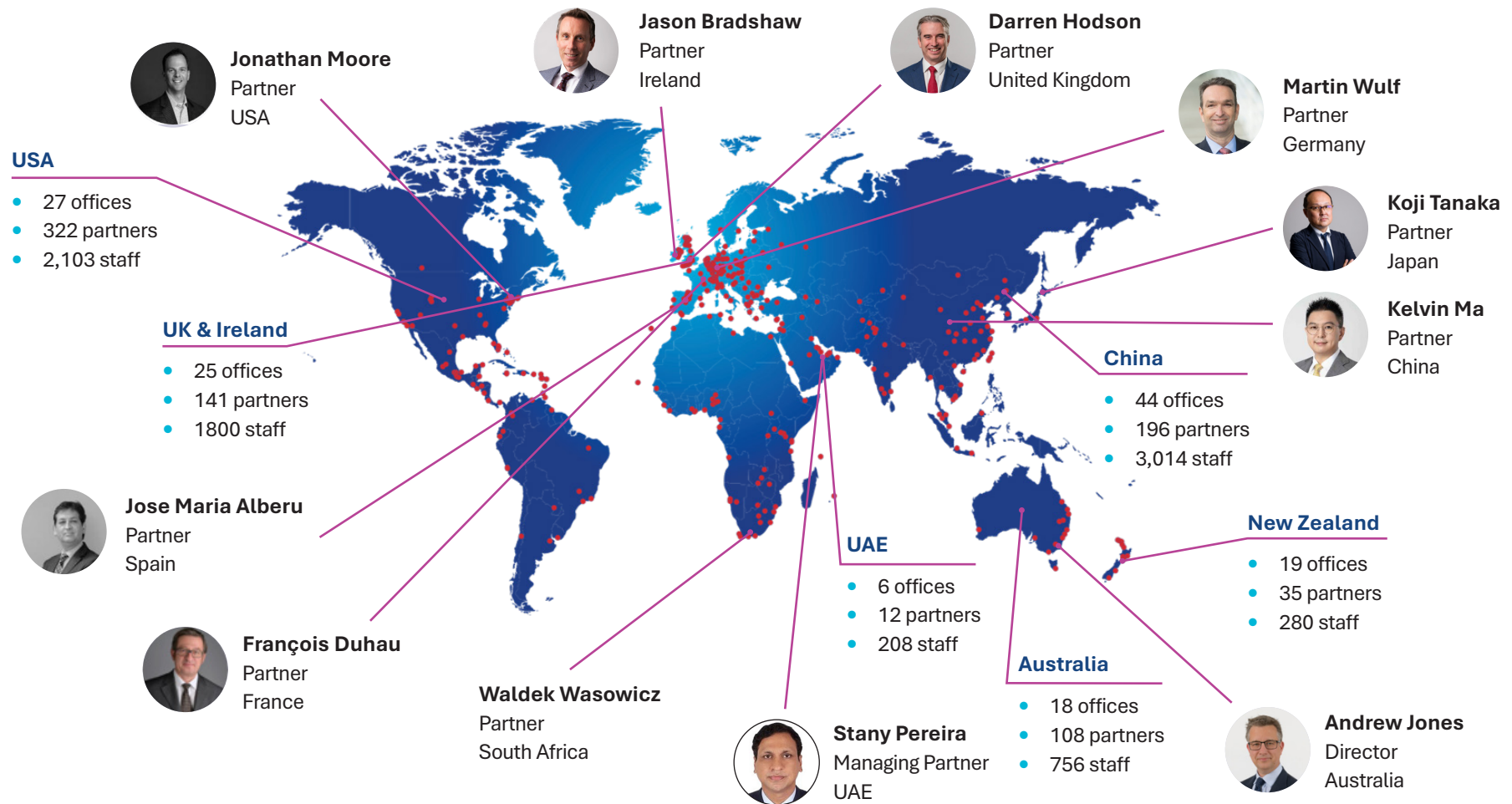
presence
in 150
countries

500+

offices
worldwide

PKF Global

We utilise our extensive global network of experts to unlock strategic partnership opportunities and purchasers.



PKF UK&I

During 2024, PKF UK and Ireland completed c.200 deals worth £3.4bn in value, which is a 50% increase in deal volumes from the prior year. Many deals included private equity.

By understanding our clients' aspirations and business issues, we will work with them to deliver practical, commercially-viable advice with positivity and tenacity. Whether you are looking to buy, grow organically, sell, float or raise finance - we can help. Our partner-led advisory team specialises in comprehensive, high-intensity project-management of deals, ranging from £1m to £250m, but we specialise in deals valued between £5m and £50m. We are equally happy advising at a strategic level, or on discrete aspects of a transaction.

Exit strategy and succession planning

We provide advice to corporate clients, entrepreneurs and owner-managers on exit strategy and succession planning.

Growth and development capital

We specialise in sourcing debt and equity capital by drawing on our extensive network of capital providers.

Private equity

We can advise on private equity funding whether you are looking for finance for growth, to facilitate a management buy-out, or to sell or release capital from your business.

Debt advisory

We can assist with refinancing, raising new or restructuring debt for transactions or growth, in addition to general funding advice.

Equity release

We have the network and experience to guide clients through the complications of this process.

Disposals

We're experts in managing disposals to optimise value. We ensure effective planning and evaluation, and begin advising well ahead of any marketing process.

Capital markets

Our specialist team has broad experience working with companies listed, or looking to list, on a range of international markets.

Buy-outs

We act for management teams and buy-in candidates, guiding them through what is often a complex, once-in-a-lifetime experience.

Acquisitions

We work closely with corporate and individual acquirors to understand their objectives, formulate strategies and manage the subsequent acquisition process strategy.

Transaction Services

We have a strong financial and tax due diligence team that can support on your acquisitions or investments.



right people
right size
right solutions

PKF Smith Cooper

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