

DATA STUDY

Purchase Price Allocations of Software Companies



Ankura is pleased to present the findings of our analysis of the allocation of the purchase price for transactions involving software and IT services companies during 2023 by U.S.-based acquirers. Key takeaways are as follows:

TRANSACTIONS ANALYZED

54

AVERAGE PURCHASE PRICE ALLOCATED TO GOODWILL WAS

56%

DEVELOPED TECHNOLOGY INTANGIBLES HAD HIGHER ALLOCATION PERCENTAGES THAN CUSTOMER RELATIONSHIPS HAD

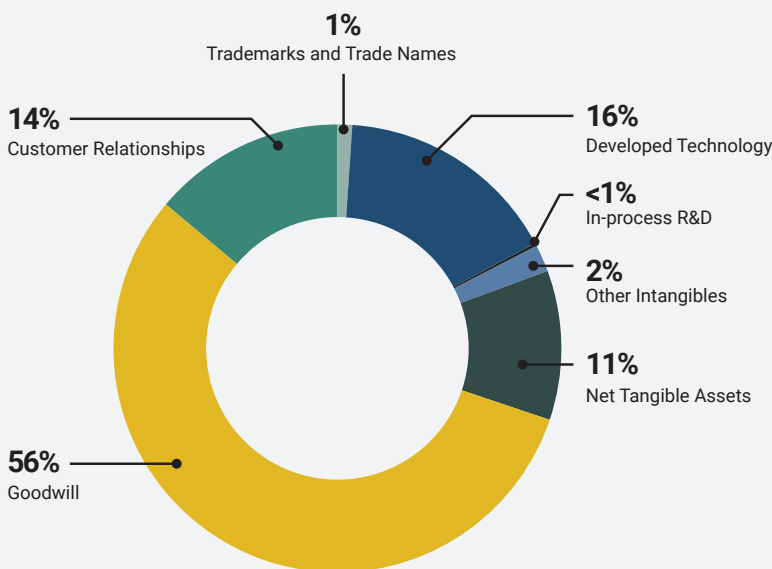
16% vs 14%

DEVELOPED TECHNOLOGY HAD A SHORTER LIFE THAN CUSTOMER RELATIONSHIP INTANGIBLES

6 vs 10 YEARS

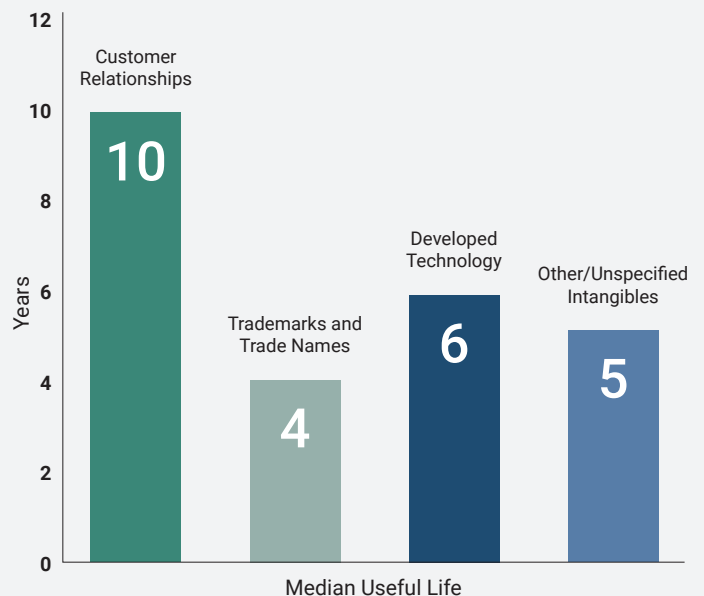
Total Industry Purchase Price Allocations:

Proportion of Total Purchase Price



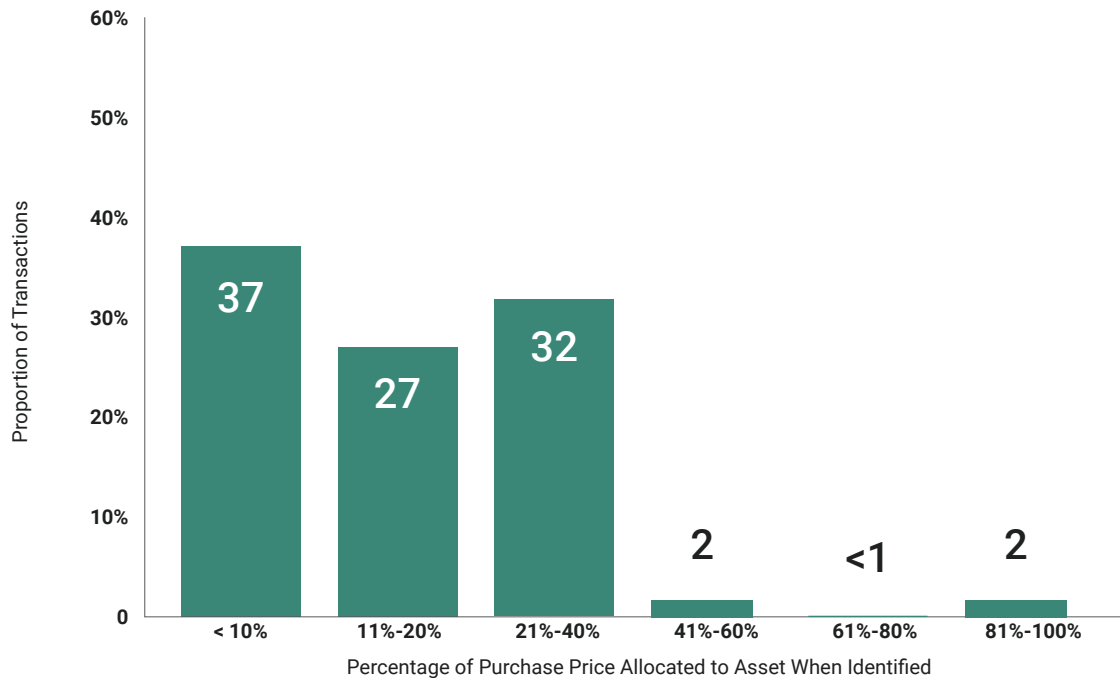
Range of Useful Life of Intangible Assets:

Median Useful Lives of Intangible Assets

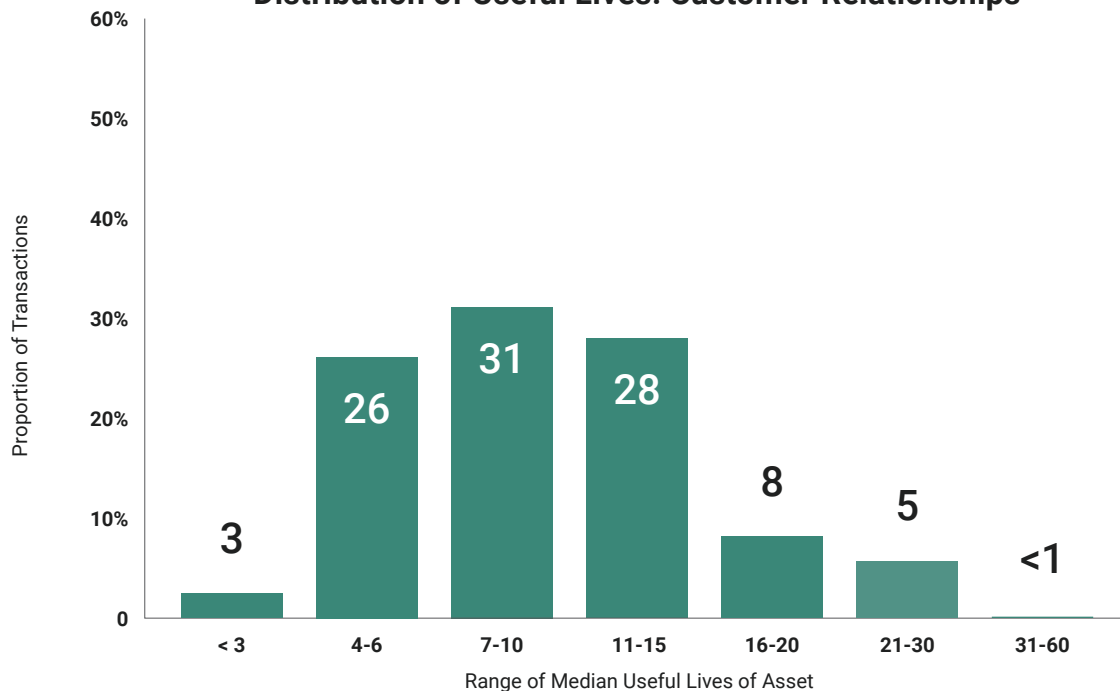


As noted below, over one third of 2023 transactions allocated less than 10% of the purchase price to Customer Relationships, while half of 2023 transactions allocated between 11% and 40% of the purchase price to Customer Relationships. It was rare that more than 40% of the purchase price was allocated to Customer Relationships. Further, approximately 80% of Customer Relationship lives fell between 4 - 15 years with the longer-lived Customer Relationships representing transactions where a higher portion of the purchase price was allocated to Customer Relationships.

Distribution of Allocations to Customer Relationships

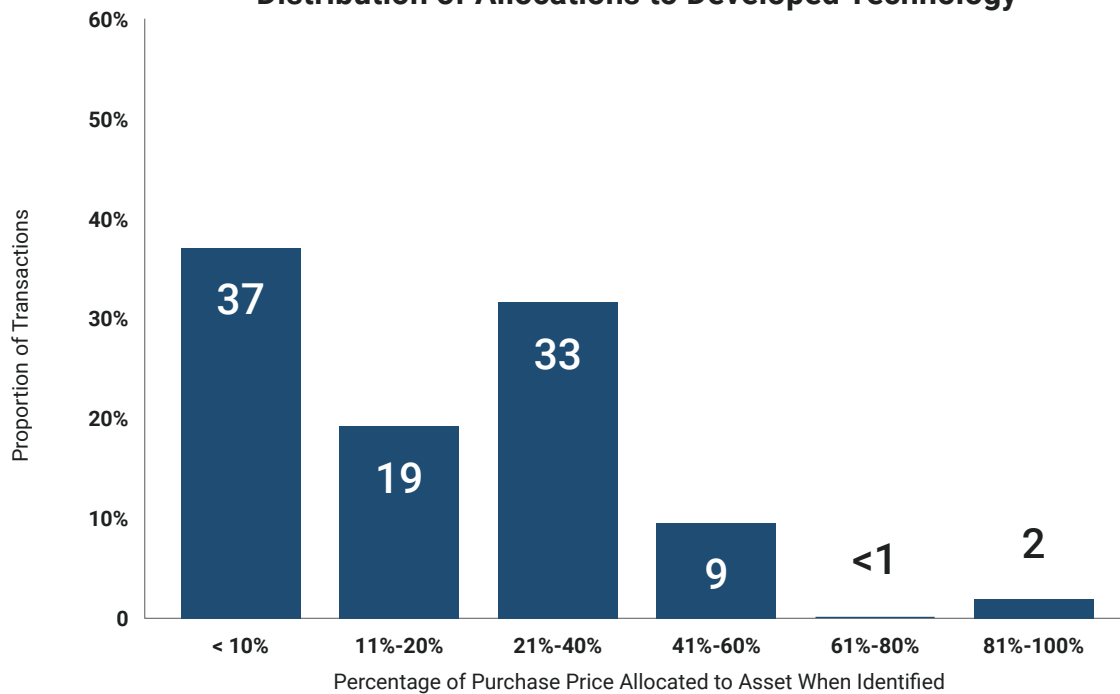


Distribution of Useful Lives: Customer Relationships

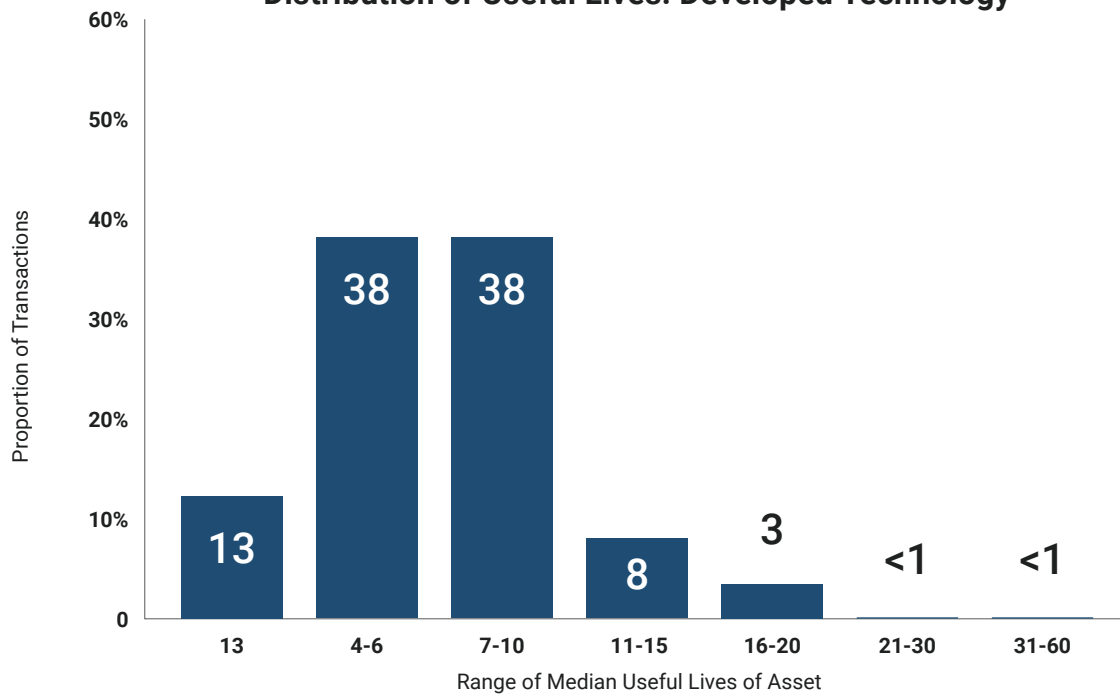


As noted below, similar to Customer Relationships, over one-third of 2023 transactions allocated less than 10% of the purchase price to Developed Technology while approximately half of transactions allocated between 11% and 40% of the purchase price to Developed Technology. It was rare that more than 60% of the purchase price was allocated to Developed Technology. While useful lives ranged between 2 - 20 years, most fell between 4 - 10 years.

Distribution of Allocations to Developed Technology

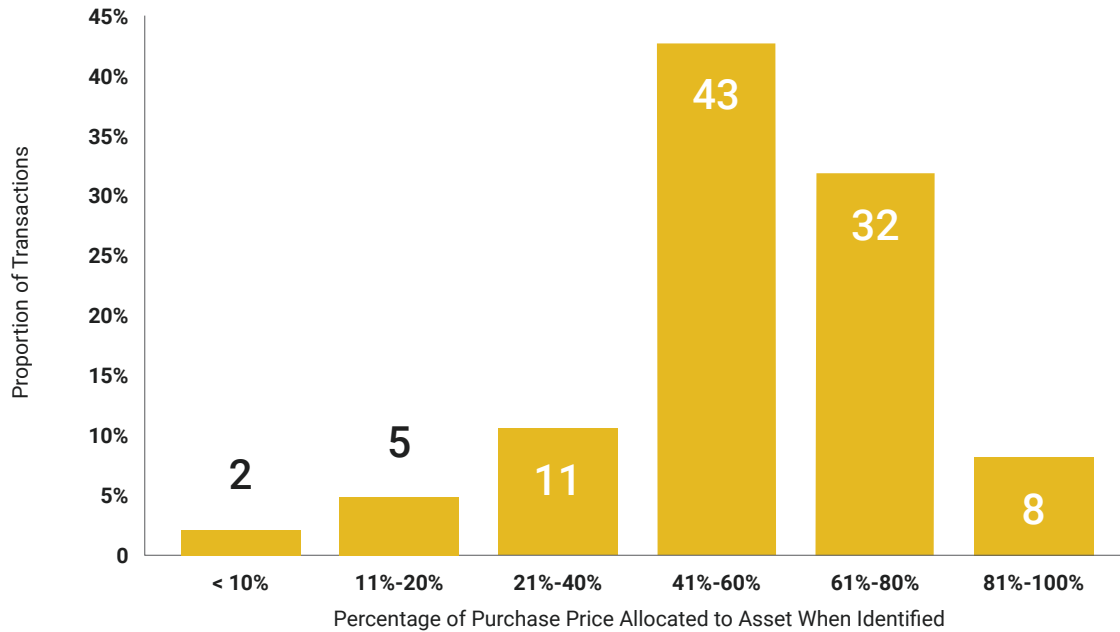


Distribution of Useful Lives: Developed Technology

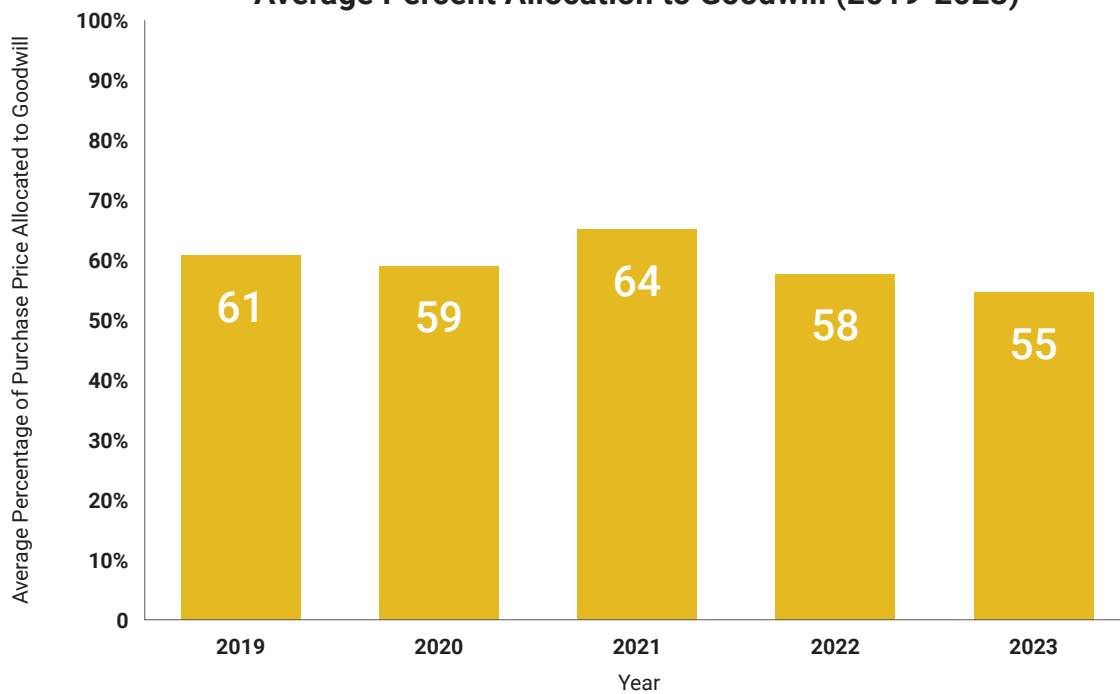


For 2023, 75% of the transactions analyzed allocated between 41% - 80% of the purchase price to Goodwill. Since 2019, the average allocation to Goodwill has ranged from 55% to 64% annually. For 2023, in addition to the 54 transactions analyzed, the charts below include an additional 9 transactions wherein the disclosures did not identify specific intangible assets other than goodwill.

Distribution of Allocations to Goodwill



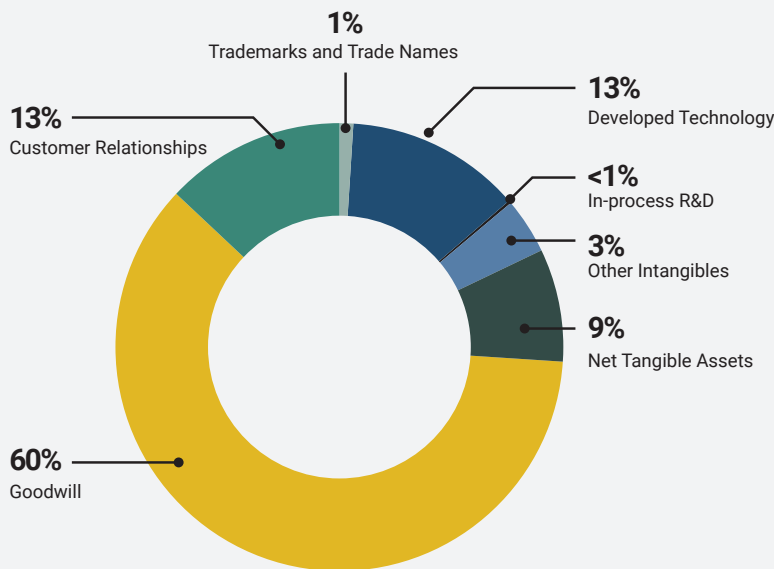
Average Percent Allocation to Goodwill (2019-2023)



Ankura also analyzed 392 transactions during 2019 through 2023 and observed results similar to 2023. The average purchase price allocated to Goodwill was 60% and the average allocation to both Customer Relationships and Developed Technology was 13% and 13%, respectively. The median useful life for Customer Relationships, Trademarks and Trade Names, and Developed Technology over the period from 2019 to 2023 was 8 years, 5 years, and 5 years, respectively.

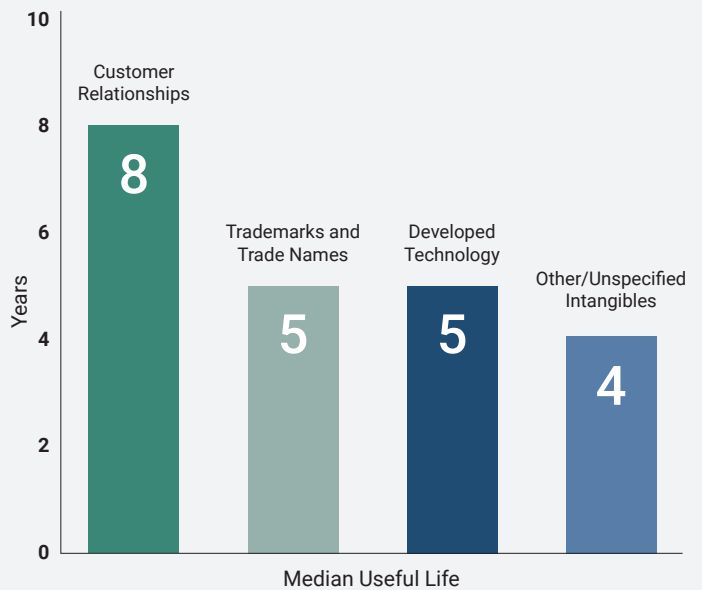
Total Industry Purchase Price Allocations (2019-2023):

Proportion of Total Purchase Price



Range of Useful Life of Intangible Assets (2019-2023):

Median Useful Lives of Intangible Assets



ABOUT ANKURA

Ankura Consulting Group, LLC is an independent global expert services and advisory firm that delivers end-to-end solutions to manage conflict, crisis, performance, risk, strategy, and transformation. Ankura has more than 2,000 professionals serving 3,000+ clients across 55 countries. Collaboration and experience drive our multidisciplinary approach to Protect, Create, and Recover Value™.

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