

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 2024 by U.S.-based acquirers. Key takeaways are as follows:

TRANSACTIONS ANALYZED

61

AVERAGE PURCHASE PRICE ALLOCATED TO GOODWILL WAS

55%

DEVELOPED TECHNOLOGY INTANGIBLES HAD THE SAME ALLOCATION PERCENTAGES AS CUSTOMER RELATIONSHIPS

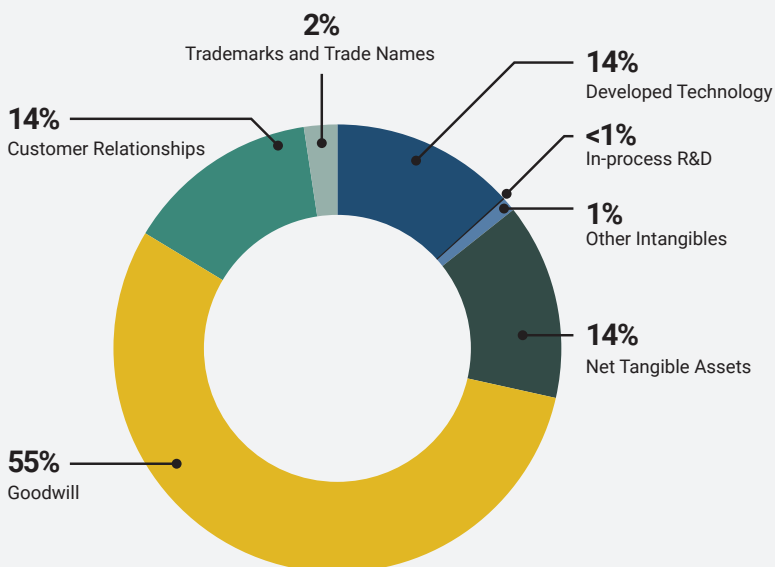
14% vs 14%

DEVELOPED TECHNOLOGY HAD A SHORTER LIFE THAN CUSTOMER RELATIONSHIP INTANGIBLES

5 vs 9 YEARS

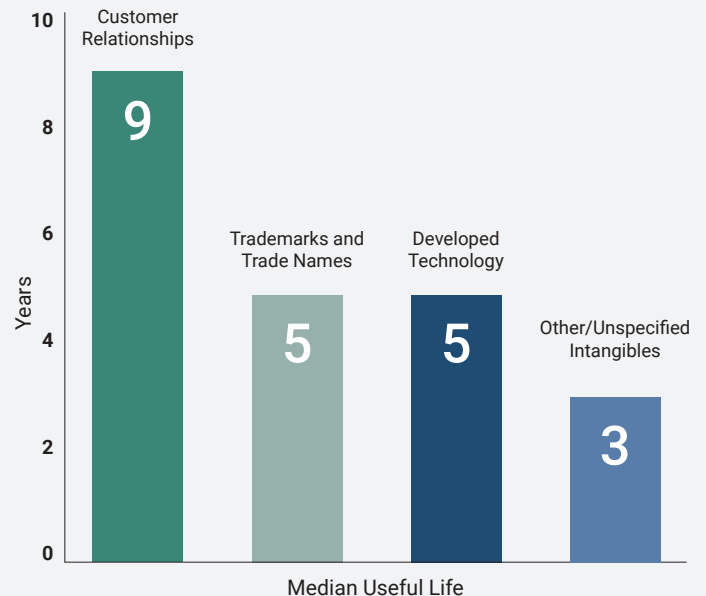
Total Industry Purchase Price Allocations:

Proportion of Total Purchase Price



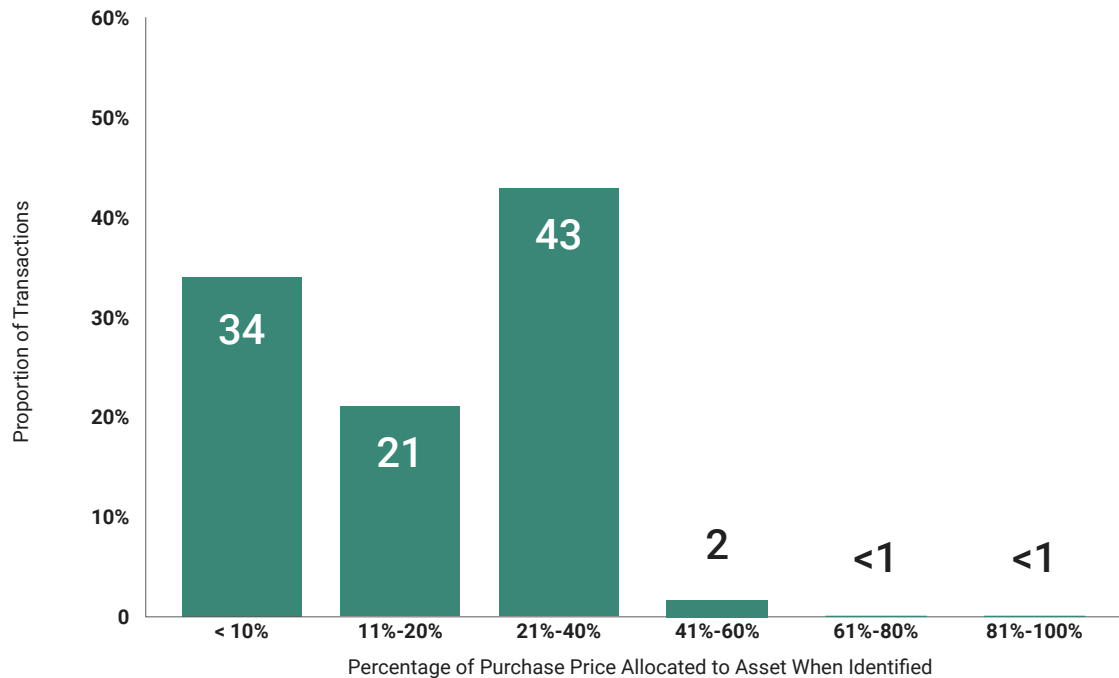
Range of Useful Life of Intangible Assets:

Median Useful Lives of Intangible Assets

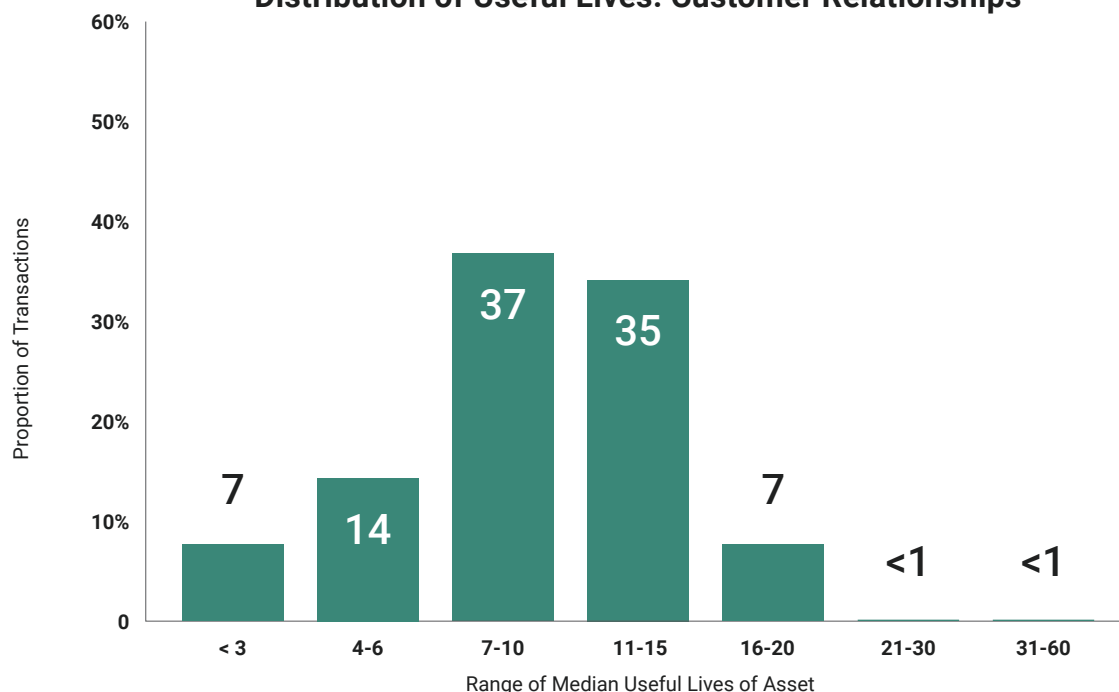


As noted below, approximately one-third of 2024 transactions allocated less than 10% of the purchase price to Customer Relationships, while almost two-thirds of transactions allocated between 11% and 40% of the purchase price to Customer Relationships. It was relatively rare that more than 40% of the purchase price was allocated to Customer Relationships. Further, approximately 85% of Customer Relationship lives fell between 4 and 15 years with the longer-lived Customer Relationships representing transactions where a higher portion of the purchase price was allocated to Customer Relationships.

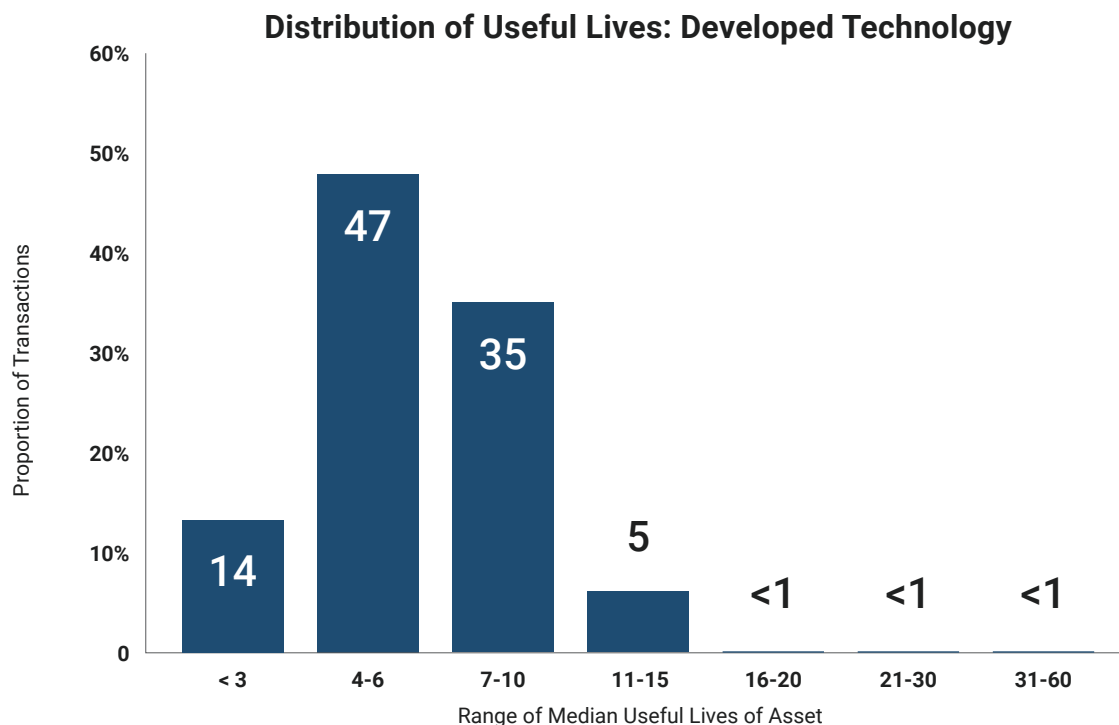
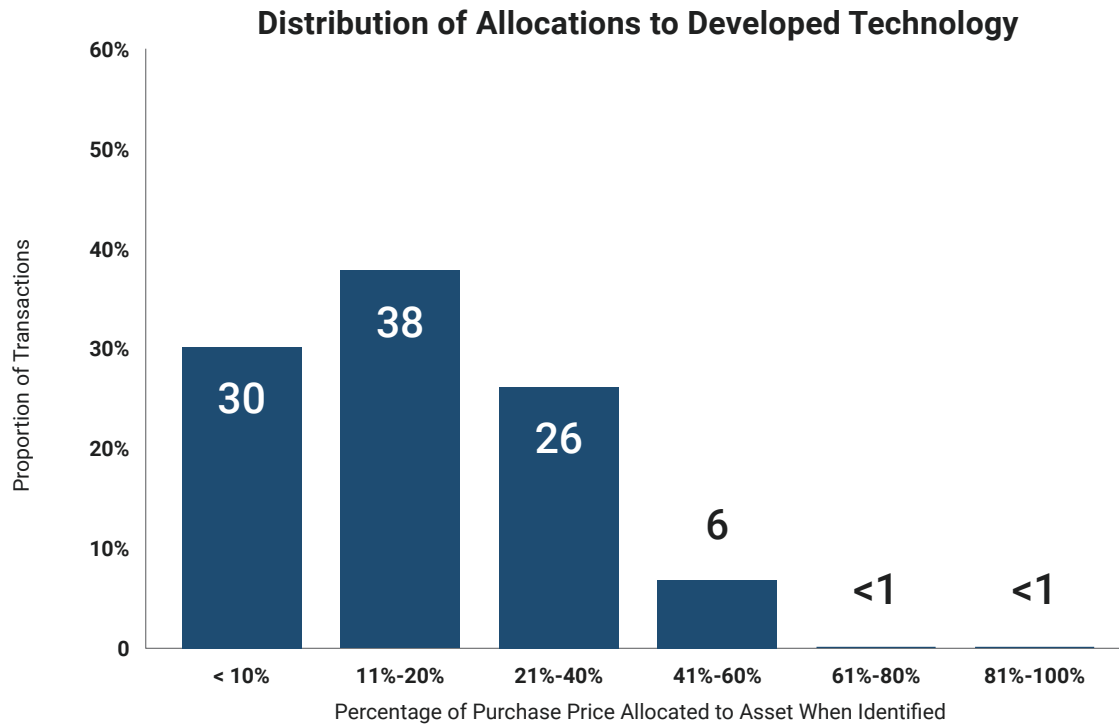
Distribution of Allocations to Customer Relationships



Distribution of Useful Lives: Customer Relationships

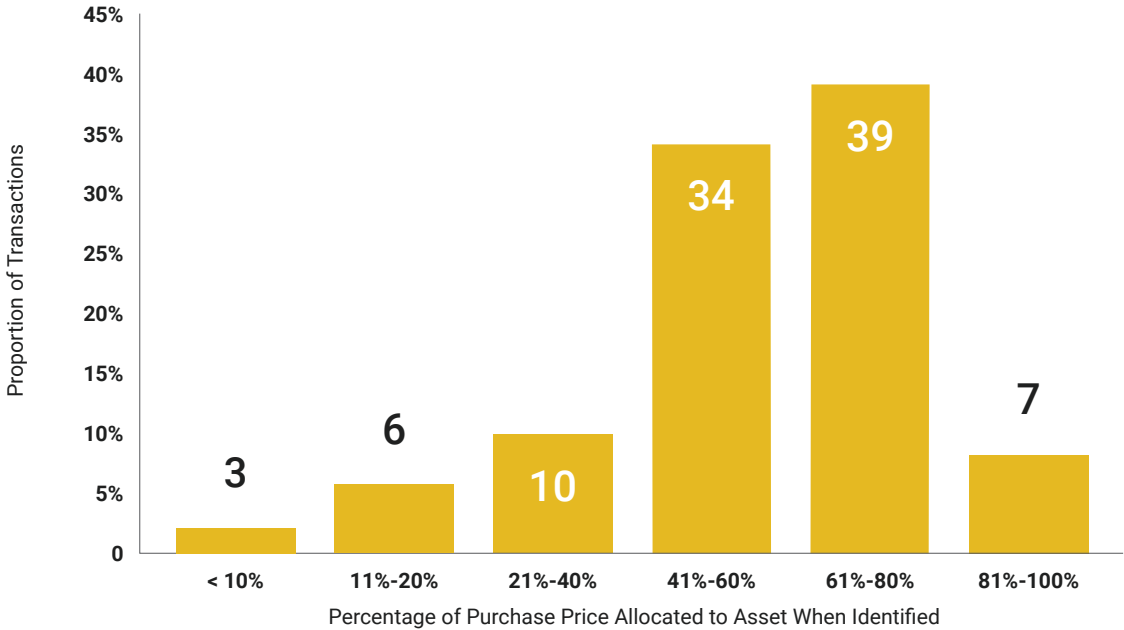


As noted below, similar to Customer Relationships, almost one-third of 2024 transactions allocated less than 10% of the purchase price to Developed Technology while almost two-thirds of transactions allocated between 11% and 40% of the purchase price to Developed Technology. Only 6% of transactions allocated more than 40% of the purchase price to Developed Technology. While useful lives ranged between 1 and 15 years, most fell between 4 and 10 years.

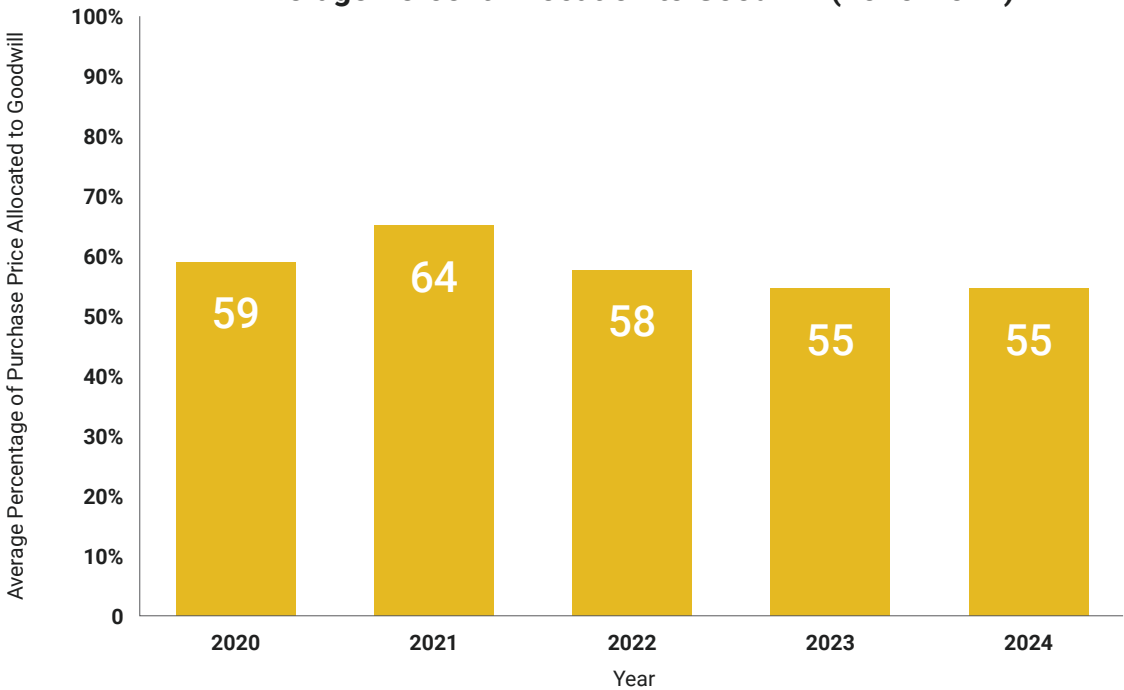


For 2024, 73% of the transactions analyzed allocated between 41% and 80% of the purchase price to Goodwill. Since 2020, the average allocation to Goodwill has ranged from 55% to 64% annually. For 2024, in addition to the 61 transactions analyzed, the charts below include an additional six transactions wherein the disclosures did not identify specific intangible assets other than goodwill.

Distribution of Allocations to Goodwill



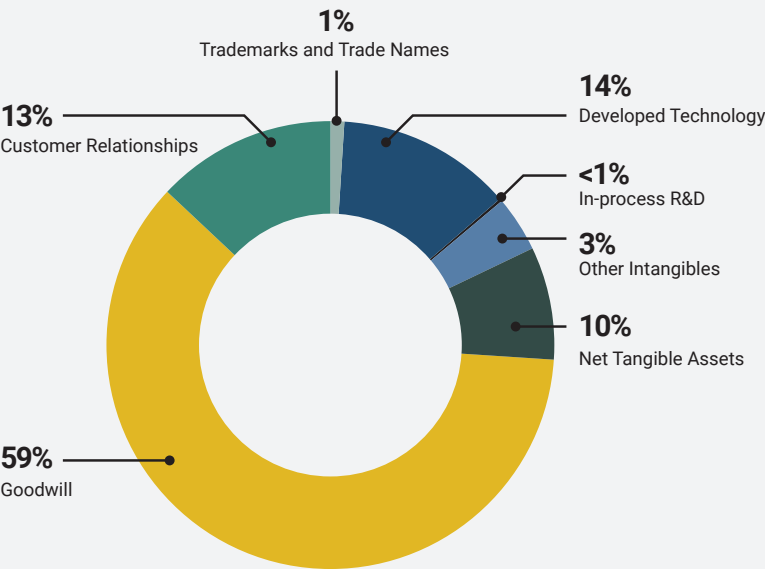
Average Percent Allocation to Goodwill (2020-2024)



Ankura also analyzed 369 transactions during 2020 through 2024 and observed results similar to 2024. The average purchase price allocated to Goodwill was 59% and the average allocation to Customer Relationships and Developed Technology was 13% and 14%, respectively. The median useful life for Customer Relationships, Trademarks and Trade Names, and Developed Technology over the period from 2020 to 2024 was 9 years, 5 years, and 5 years, respectively.

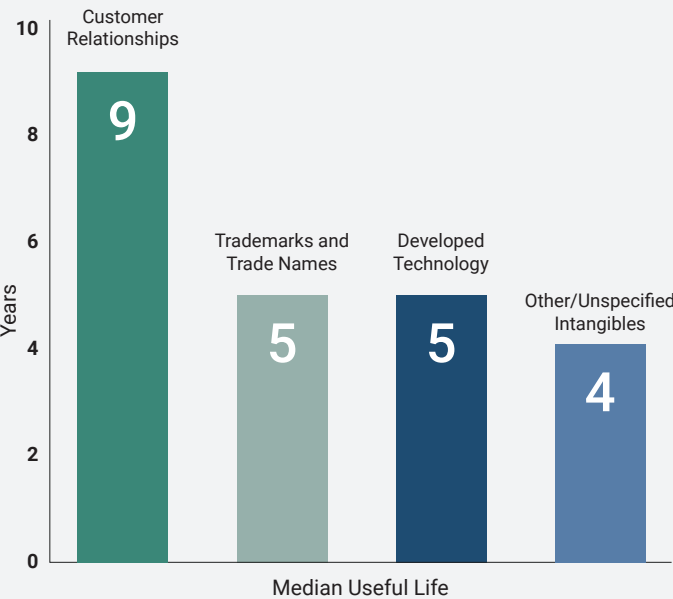
Total Industry Purchase Price Allocations (2020-2024):

Proportion of Total Purchase Price



Range of Useful Life of Intangible Assets (2020-2024):

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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