



BUILDING A EUROPEAN FRANCHISE

THOMA BRAVO'S STRATEGIC EXPANSION

We're bringing our demonstrated process to Europe's fast-digitizing, still-fragmented software market, helping investors pursue attractively priced companies poised to become profitable growers.

KEY TAKEAWAYS

- **Europe's software market is at an inflection point.** Mid-market companies need help to scale up, and lower valuations overall create good entry points for a buy-and-build approach.
- **Our operating model translates across borders.** Carve-outs, founder transitions and scale-ups—refined across more than 535 software deals—make us an attractive partner for Europe's product-driven innovators.¹
- **We're actively deploying capital.** We've been investing in Europe for 14 years, deploying more than \$14 billion across 16 deals.²

Europe's software sector is large, profitable and still underpenetrated by PE capital

The current state of European software

Even though Europe's software industry doesn't usually make as much news as its U.S. counterpart, it's home to leading companies that are powering the region's digital transformation. Europe now hosts nearly 13,000 software companies generating over \$10 million in annual revenue, with almost 4,000 exceeding \$50 million.³ These aren't venture-backed unicorns burning through capital, either. They're generally profitable, scaling businesses that learned to grow sustainably under different constraints than their Silicon Valley counterparts.

Moreover, Gartner predicts European software growth will continue at 11.5% annually through 2028 (Figure 1), ramping up from around 9% in 2025. Meanwhile, the continent's 4,000 largest software companies represent a combined market that's still largely untapped by dedicated buyout capital.⁴

Those numbers are big reasons why Thoma Bravo has been steadily expanding into this market in recent years. Here are some of the key insights we've gleaned about the current state of European software:

1. Robust market fundamentals

Europe's software sector continues to benefit from digital transformation and increasing enterprise spend on automation.

2. Highly fragmented landscape with local nuance

This creates immense buy-and-build potential, though local dynamics demand tailored strategies.

3. Valuation discipline

European valuations generally remain more measured than North America's (Figure 2), with strong risk-adjusted return potential.

4. Clear need for operational help and capital

Europe has many strong "product-first" companies that need help to scale, but there are fewer pools of capital to assist with this support.

5. Openness and curiosity

We've seen increased willingness among entrepreneurs to partner with experienced private equity firms—particularly those with extensive operational expertise and global scaling capabilities.

¹ Includes control and non-control investments as of 03/31/2025

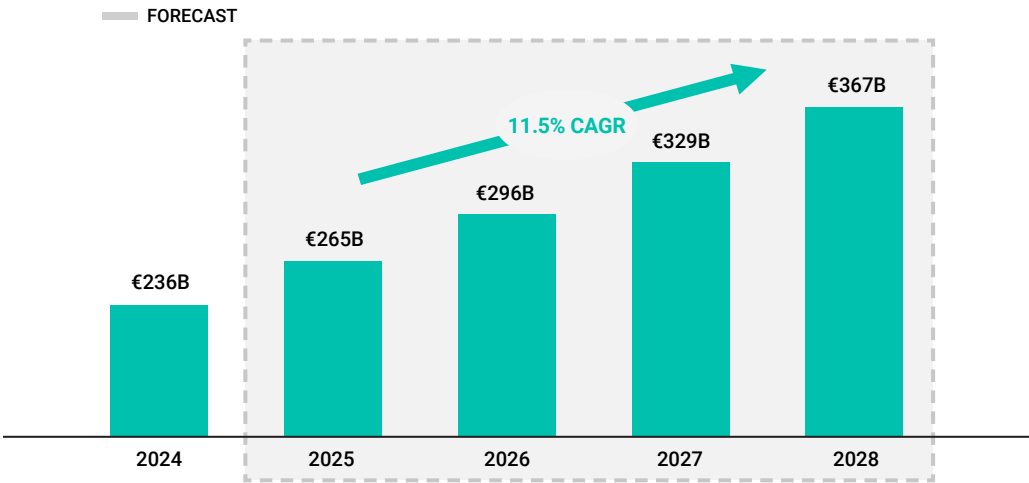
² As of 01/2025

³ Crunchbase as of 06/2025

⁴ Garner, "Gartner Forecasts IT Spending in Europe to Grow 8.7% in 2025," 11/07/2024

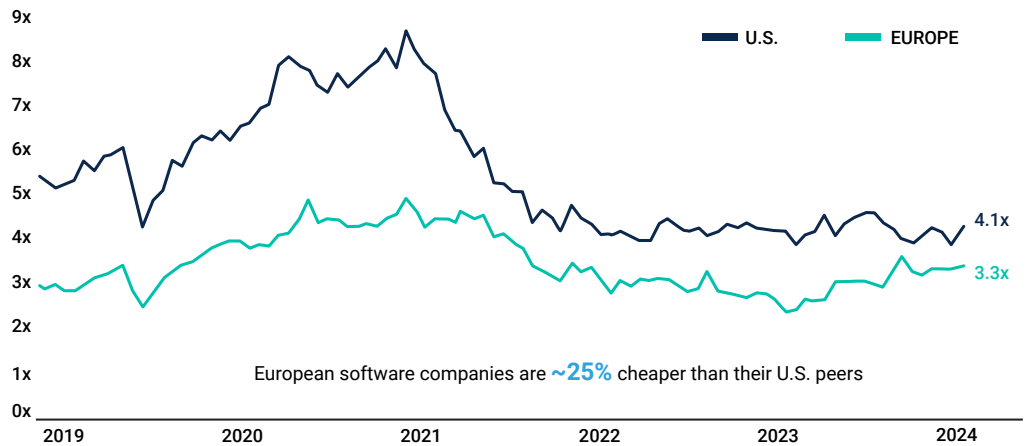
European software companies are ~25% cheaper than their U.S. peers

Figure 1: Software spending in Europe is predicted to grow at 11.5% CAGR



Source: Gartner (12/2024), Spending on IT by Technology Segment and Country, 2022-2028, segment: software, region: Europe, currency: euro. Numbers shown reflect sum of end-user spending in selected currency for software.

Figure 2: European software companies trade at a discount to their U.S. peers



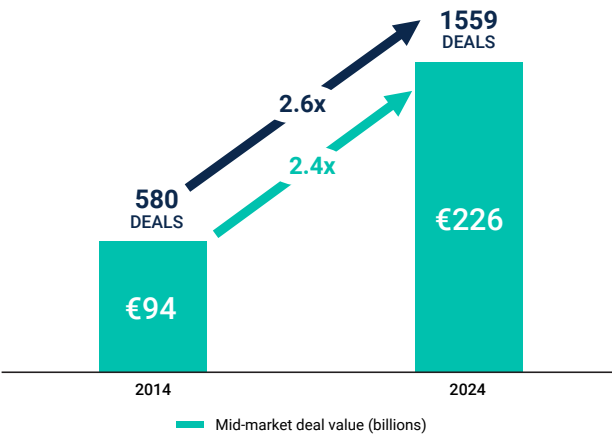
Source: S&P CapitalIQ data as of 09/30/2024. Forward numbers represent broker consensus estimates as of such date. US Software comp set reflects public software comps tracked by Thoma Bravo (N=308) as of 09/30/2024. Multiples reflect the median of NTM revenue across the set. European comp set reflects public software comps tracked by Thoma Bravo (N=34). The companies in the “US software comp set” and the “European comp set” are not expected to be directly comparable. Accordingly, the comparison is inherently limited in nature.

Europe's middle market: powered by demand, constrained by operations and capital

As Europe's digital transformation continues, more firms are adopting advanced digital solutions to address their mission-critical productivity, IT, application and system infrastructure needs. And demand forecasts continue to rise, particularly with AI becoming a fundamental business intelligence tool.

In particular, we're seeing notable opportunities in the European middle market, where many founder-led and family-owned software businesses are now reaching an inflection point. These companies often face constraints—from operational inefficiencies to fragmented go-to-market strategies—that limit their ability to scale into global leaders. This environment presents a compelling opportunity for the private equity industry, as evidenced by the growing value and number of deals (Figure 3).

Figure 3: Europe's mid-market companies are increasingly attractive

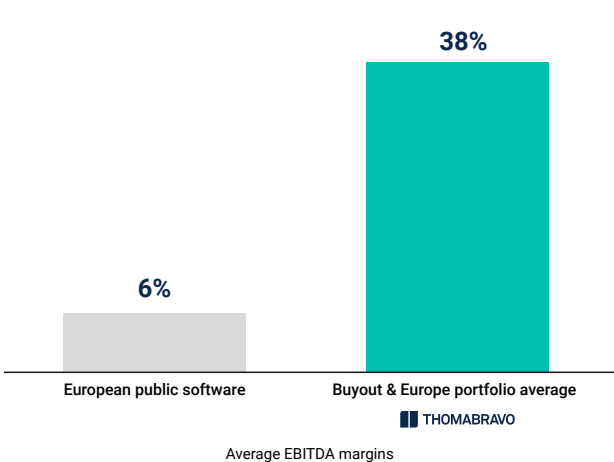


Source: Pitchbook Annual European Private Equity Report. Private Equity deal count and volume as of 12/31/2024.

At Thoma Bravo, we believe we are particularly well-suited to capitalize on this environment, thanks to our deep domain expertise and solutions built specifically for the enterprise software industry. Our view is that with the right investment and guidance, many of these companies could become global category leaders—with the operating margins to match (Figure 4).

Over the past two decades, we've successfully navigated similar dynamics across North America. We've acquired or invested in more than 535 software and technology companies, representing approximately \$275 billion in enterprise value.⁵ And we're confident that our differentiated expertise is transferrable across borders.

Figure 4: European software companies need help improving their margins



Source: S&P CapitalIQ data as of 09/30/2024. Europe public software comp set reflects European-based public software comps tracked by Thoma Bravo (N=256). EBITDA margins reflect the average 2024E EBITDA margins less capitalized software across the set. Thoma Bravo EBITDA margin is the average of current software investments in the firm's buyout funds and its Europe fund as of 03/31/2025 but excludes portfolio companies valued on a revenue multiple. If portfolio companies valued on a revenue multiple were included, such average EBITDA margin would be 36%.

⁵ Includes control and non-control investments as of 03/31/2025

Three trends driving growth for Europe's enterprise software firms

1. AI is a force-multiplier

Generative AI and machine learning are rapidly reshaping how organizations operate and automate, opening an identifiable path for the next wave of digital transformation. Success will likely hinge on weaving AI into the existing business—and adjusting go-to-market strategies, pricing and internal workflows to match.

2. SaaS has room to run

As manufacturing, healthcare, logistics and government services digitize, the great cloud migration is still picking up steam: 68% of European organizations still run less than half their workloads in the cloud.⁶ Take Germany, for example, where cloud adoption is rapidly increasing—46.5% of businesses

currently use the technology, with an additional 11.1% planning to integrate it.⁷ As work moves off-premises, demand for vertical SaaS solutions is climbing steadily. But given the unique challenges of operating in Europe's fragmented environment, these traditionally underserved sectors need purpose-built, localized platforms to navigate different operational challenges and regulatory requirements.





3. Accelerating consolidation

Many European software companies remain founder-led or part of diversified industrial groups, meaning they're positioned to benefit from partners who can streamline operations and build profitable growth strategies. This makes Thoma Bravo's carve-out and founder-transition experience highly relevant.

Our commitment to Europe

Europe presents a strong opportunity for investors, but capturing this opportunity will take more than just capital. It requires a long-term view, a demonstrated operating model and a local presence backed by global experience.

- Thoma Bravo has invested in Europe for over 14 years, deploying more than \$14 billion in equity across 16 transactions.⁸
- In 2023, we launched our London office and formed a dedicated European strategy, enabling deeper local engagement with software founders, entrepreneurs and management teams.
- In just over two years since opening our London office, we've made four platform and eight add-on acquisitions, underscoring the strength of our in-region sourcing engine.⁹

 VERTICAL GRC & ESG SaaS LOCATION Munich, Germany	 VERTICAL Budgeting & FP&A LOCATION Malmö, Sweden	 VERTICAL Healthcare IT & analytics LOCATION Amsterdam, Netherlands	 VERTICAL IT service management LOCATION Möglingen, Germany
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⁶ McKinsey, "The state of cloud computing in Europe: Increasing adoption, low returns, huge potential," 04/02/2024

⁷ Inkwood Research, "Germany Cloud Migration Services Market Forecast 2024-2032," 10/28/2024

⁸ As of 01/2025

⁹ As of 06/09/2025

LEARN MORE

With a dedicated European team and strong momentum, we're prepared to help the next generation of European software innovators scale, compete and lead.

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