



SILVERPEAK

technology
investment banking

Silverpeak Benchmark Report Q2 2017

A review of key company valuation metrics
in the UK, European & US Application Software sectors

SILVERPEAK

LONDON | PARIS | HAMBURG | MUNICH

Silverpeak's selected recent software experience

Germany / Germany

MARKETLOGIC

Cognitive insight platform

investment by

GENUI + **SUMMIT PARTNERS**

Advisor to Marketlogic

MAY 2017

UK / UK

Blackbay

Empowering Mobile Workers

Logistics software

has been sold to

FP BLU JAY

Advisor to Blackbay

APRIL 2017

UK / US

silverlining solutions

Employee performance optimisation software

has been sold to

Genesys

Advisor to Silver Lining Solutions

FEBRUARY 2017

Germany / China

hetras

Hotel management SaaS

has been sold to

Shiji Network

Advisor to Hetras

AUGUST 2016

Germany / Germany

M H P SOLUTION GROUP

Shipping logistic & foreign trade software solutions

has been sold to

Elvaston

Advisor to MHP Solution Group

JULY 2016

UK / US

MAGIC PONY TECHNOLOGY

Machine learning for video processing

has been sold to

twitter

Advisor to Octopus - investor in Magic Pony Technology

JUNE 2016

Germany / US

airpas

Airline cost management and profitability solution

has been sold to

Sabre

Advisor to Airpas Aviation

APRIL 2016

Germany / Netherlands

GENEVA-ID

Insurance software

has been sold to

Keylane

Advisor to GENEVA-ID

DECEMBER 2015

UK / Japan

ACT

Electronic ticketing software for transit, tourism and loyalty schemes

has been sold to

FUJITSU

Advisor to Smart Transactions Group

AUGUST 2015

UK / France

ACTIVUS

Health and personal protection insurance software

has been acquired by

cegedim

Advisor to Activus

JULY 2015

Commentary

Highlights

- There has been an overall increase in valuations of US and European application software companies, with all sectors exhibiting revenue and EBITDA multiple uplifts
- US SaaS showed a significant increase in TEV/Rev valuations, mirroring the increase in their expected revenue growth rates
- US Horizontals (whose valuations have continued to rise) are now trading at near parity with US Verticals
- While UK Small, UK Mid and European application software company valuations are improving, they are still far below those of US companies

Key Themes

- Private equity interest in the application software sector remains, though activity remains low as of Q1

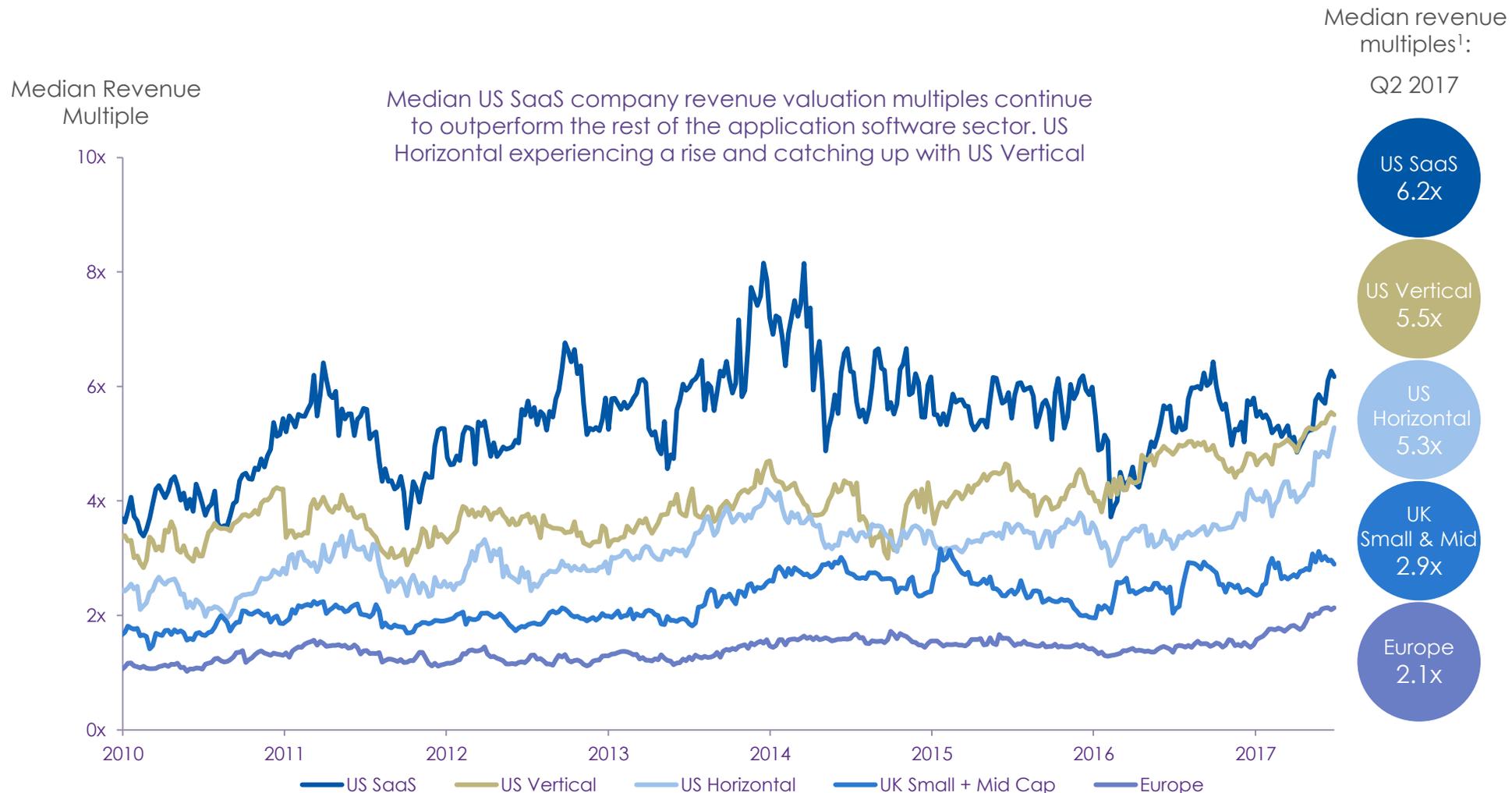
The number of Private Equity transactions has fallen c. 30% year-on-year

- Notable transactions this quarter include Thoma Bravo's \$1.4bn acquisition of Kofax Limited and Insight Venture Partners' majority-stake acquisition of Abila for an undisclosed amount from Accel-KKR
- Revenue growth forecasts have moved upwards within different categories:
 1. Median growth estimates for US SaaS is above 20%
 2. UK Small and Mid and European companies show a positive median growth outlook above 10%
 3. US Vertical and US Horizontals have median growth rates below 10%

Report highlights

	Median revenue multiples ¹		Commentary
	Q1 2017	Q2 2017	
US SaaS	5.1x	 +21% 6.2x	<ul style="list-style-type: none"> US SaaS companies have recovered what they lost in Q1 in terms of EV/Rev valuations This increase in valuation is in line with the increment in the sector's expected revenue growth rates, which rose by 2.9% to 21.8% quarter-on-quarter remaining as the category with the largest growth rates
US Vertical	5.0x	 +11% 5.5x	<ul style="list-style-type: none"> Following a trend started in Q1, US-Vertical valuations rose steadily, ending the period at a TEV/Rev of 5.5x. On the contrary, TEV/EBITDA rose during the quarter but at the end of Q2 dipped to close at 19.9x, the same level as Q1's end At the beginning of Q2, US-Vertical and US SaaS TEV/Rev valuations were at near parity, but could not keep pace with those of US SaaS
US Horizontals	4.0x	 +27% 5.3x	<ul style="list-style-type: none"> US-Horizontals saw valuations spike this quarter, with TEV/Rev valuations rising by +1.1x to +5.3x On the other hand, median revenue growth rates were relatively unchanged rising from 4.2% in the prior quarter to 4.3%
UK Small & Mid	2.7x	 +7% 2.9x	<ul style="list-style-type: none"> UK application software valuations experienced a steady increase during the quarter, with current revenue and EBITDA multiples at 2.9x and 18.1x respectively, slight change in TEV/Rev from Q1 2017 (within +0.2x) Revenue growth expectations bounced to 15.9%, a relative increase of 36% quarter-on-quarter recovering the low revenue growth expectations from Q1
Europe	1.8x	 +17% 2.1x	<ul style="list-style-type: none"> European companies' TEV/Rev valuations continue with the uptrend started in Q1, after they had flatlined for the past two years While revenue growth expectations slightly increased compared to Q1, profitability is going down to 2016 levels

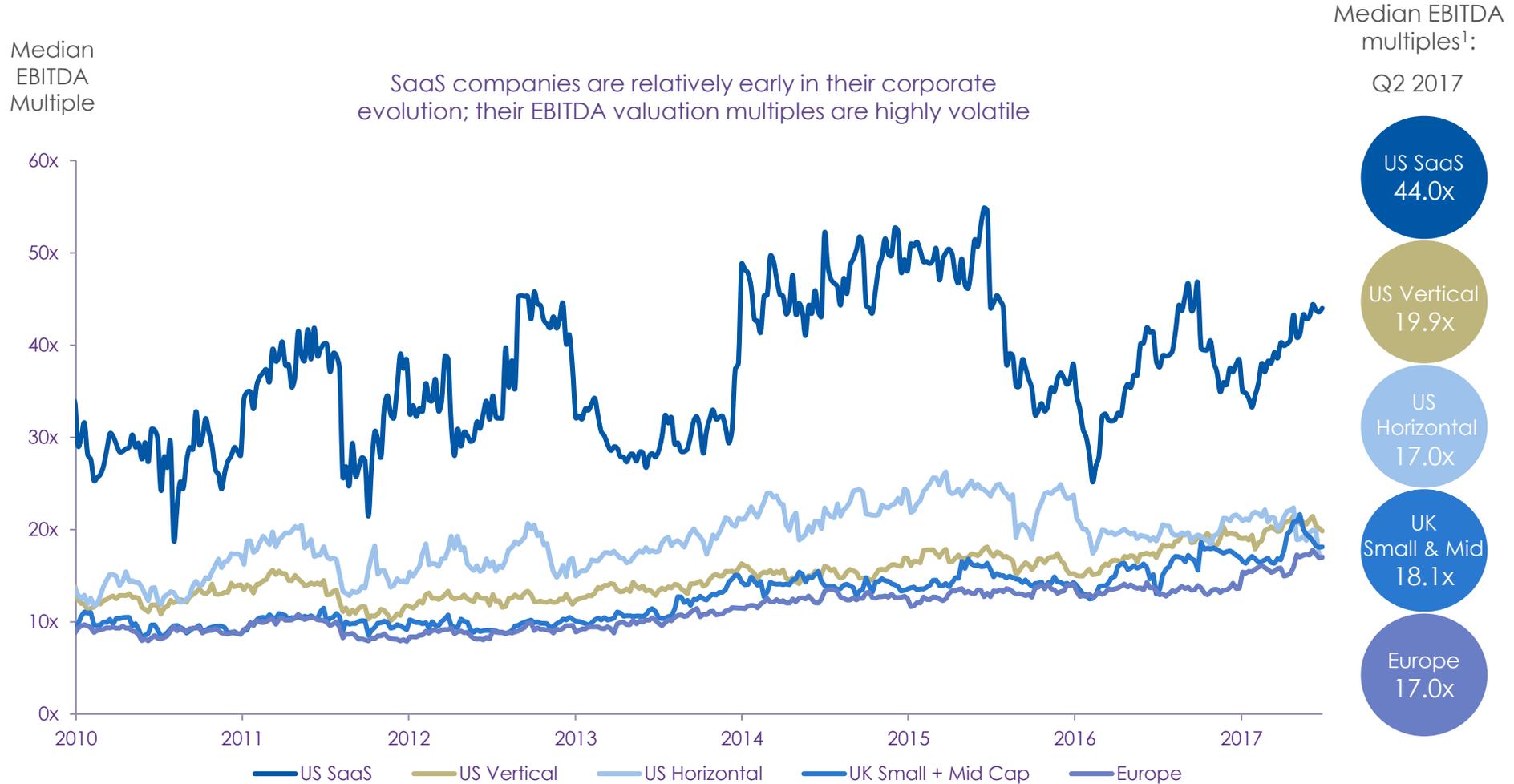
Software sector valuation metrics: revenue multiples



1. As at 30th June, 2017

Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics: EBITDA multiples

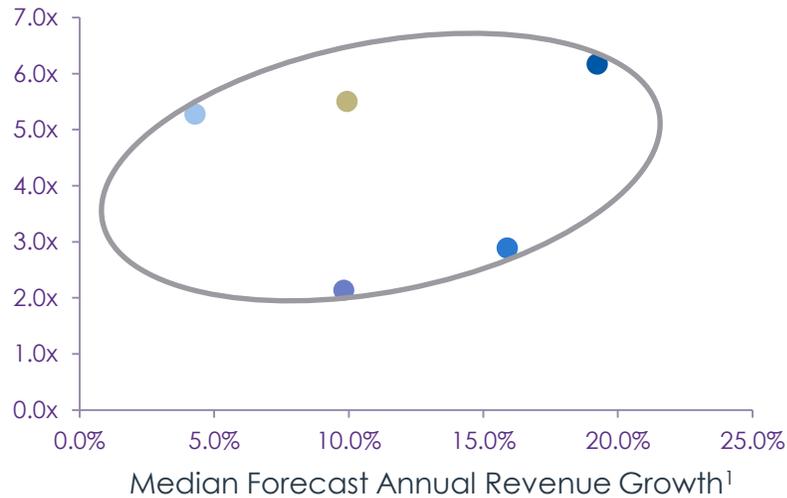


1. As at 30th June, 2017

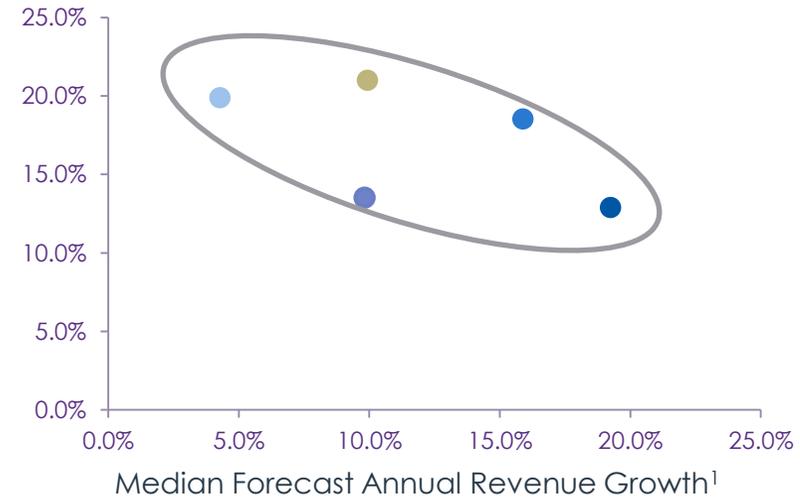
Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics¹: summary

Median Revenue Multiple¹



Median EBITDA Margin¹



● US SaaS ● UK Small + Mid Cap ● US Horizontal ● US Vertical ● Europe

1. As at 30th June, 2017

Definitions:

US SaaS – US publicly quoted application software companies operating a pure Software as a Service model.

US Vertical – US publicly quoted application software companies with a strong focus on one (or a small number of) vertical market(s) e.g. healthcare, financial services etc.

US Horizontal – US publicly quoted application software companies selling solutions across a wide range of verticals.

UK Small+Mid – Small and medium sized (by market capitalisation) UK publicly quoted application software companies. Europe - listed application software companies.

Source: Silverpeak / S&P Capital IQ

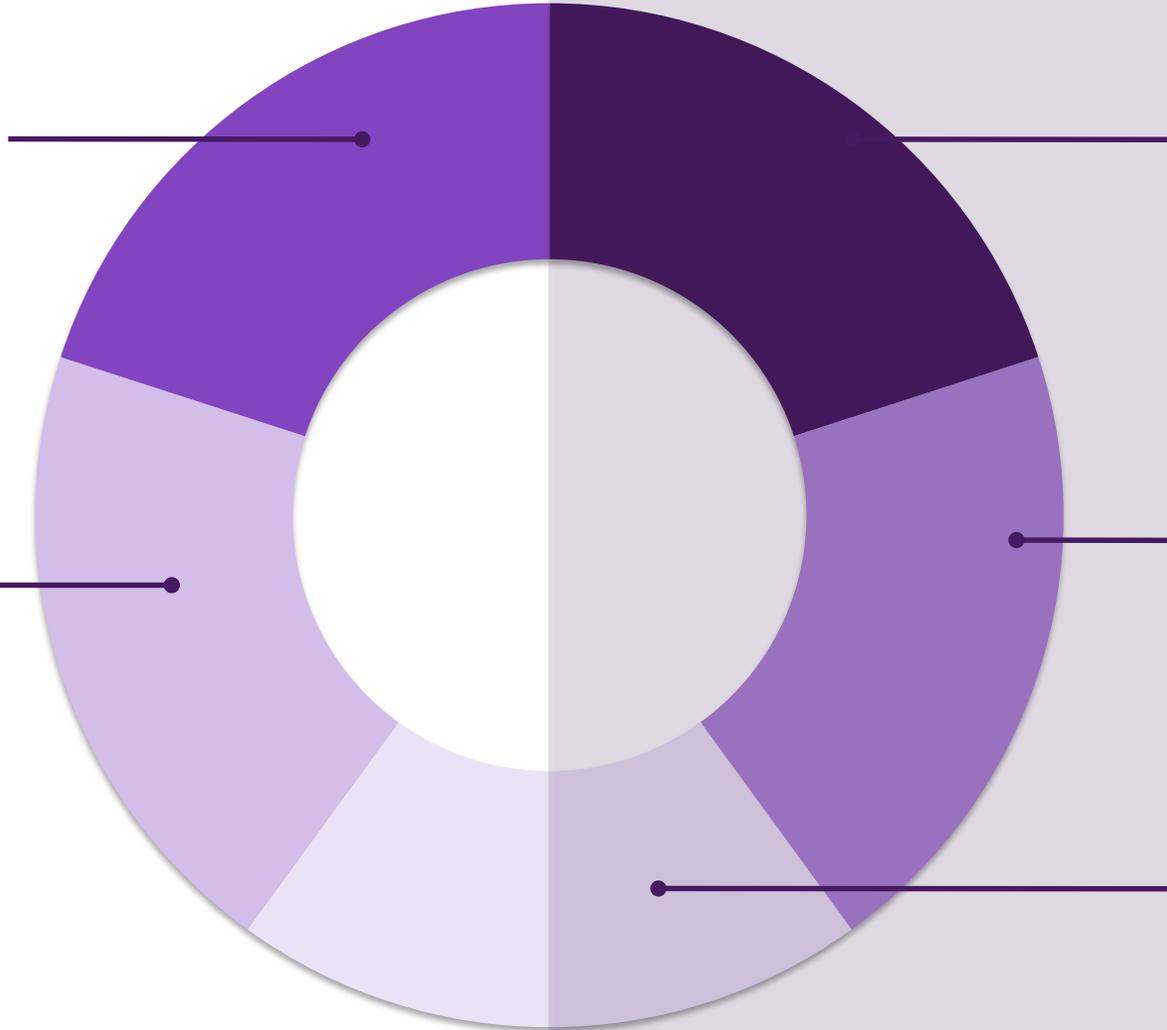
Company categorisation

For comparison purposes, we've grouped companies covered in the report into one of five categories:

UK Small & Mid* – Small and medium sized (by market capitalisation) UK publically quoted application software companies

Europe – European publically quoted application software companies

*We've grouped UK companies in this manner because sample sizes do not permit a breakdown into horizontal vs. vertically focused companies.



US SaaS - US publically quoted application software companies operating a pure Software as a Service model

US Vertical – US publically quoted application software companies with a strong focus on one (or a small number of) vertical market(s) e.g. healthcare, financial services etc.

US Horizontal – US publically quoted application software companies selling solutions across a wide range of verticals

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