



SILVERPEAK

technology
investment banking

Silverpeak Benchmark Report Q3 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

UK / US

Payment software for the hospitality sector

has been sold to

Undisclosed US \$50bn+ financial institution

Advisor to the seller

OCTOBER 2017

Germany / Germany

AUVESY.

Data management software

sale of majority stake to


BROCKHAUS PRIVATE EQUITY

Advisor to Auvesy

SEPTEMBER 2017

Germany / Germany / US

MARKETLOGIC

Cognitive insight platform

investment by

 + 
GENUI PARTNERS + SUMMIT PARTNERS

Advisor to Genui

MAY 2017

UK / UK / US

Blackbay
Empowering Mobile Workers

Logistics software

has been sold to

 
FP PARTNERS + BLUJAY SOLUTIONS

Advisor to Blackbay

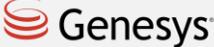
APRIL 2017

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


Sniji Network
石基信息

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

MAGICPONY TECHNOLOGY

Machine learning for video processing

has been sold to

twitter

Advisor to Octopus - investor in Magic Pony Technology

JUNE 2016

Germany / US


airpas aviation ag

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
insurance & pension software

Advisor to GENEVA-ID

DECEMBER 2015

Commentary

Highlights

- There has been an overall downward correction in valuations of US application software companies, with all sectors exhibiting lower revenue multiples than observed in Q2
- US SaaS showed a significant decrease in TEV/Rev valuations, driven by the negative expected revenue growth rates
- US Horizontals EBITDA multiples have risen despite the other US segments reducing significantly
- Q3 has been an extraordinary quarter for UK Small and Mid cap application software company valuations, which reached their highest valuations levels in the 7 year series, and with EBITDA multiples higher than US except SaaS

Key Themes

- Despite private equity interest in the application software sector

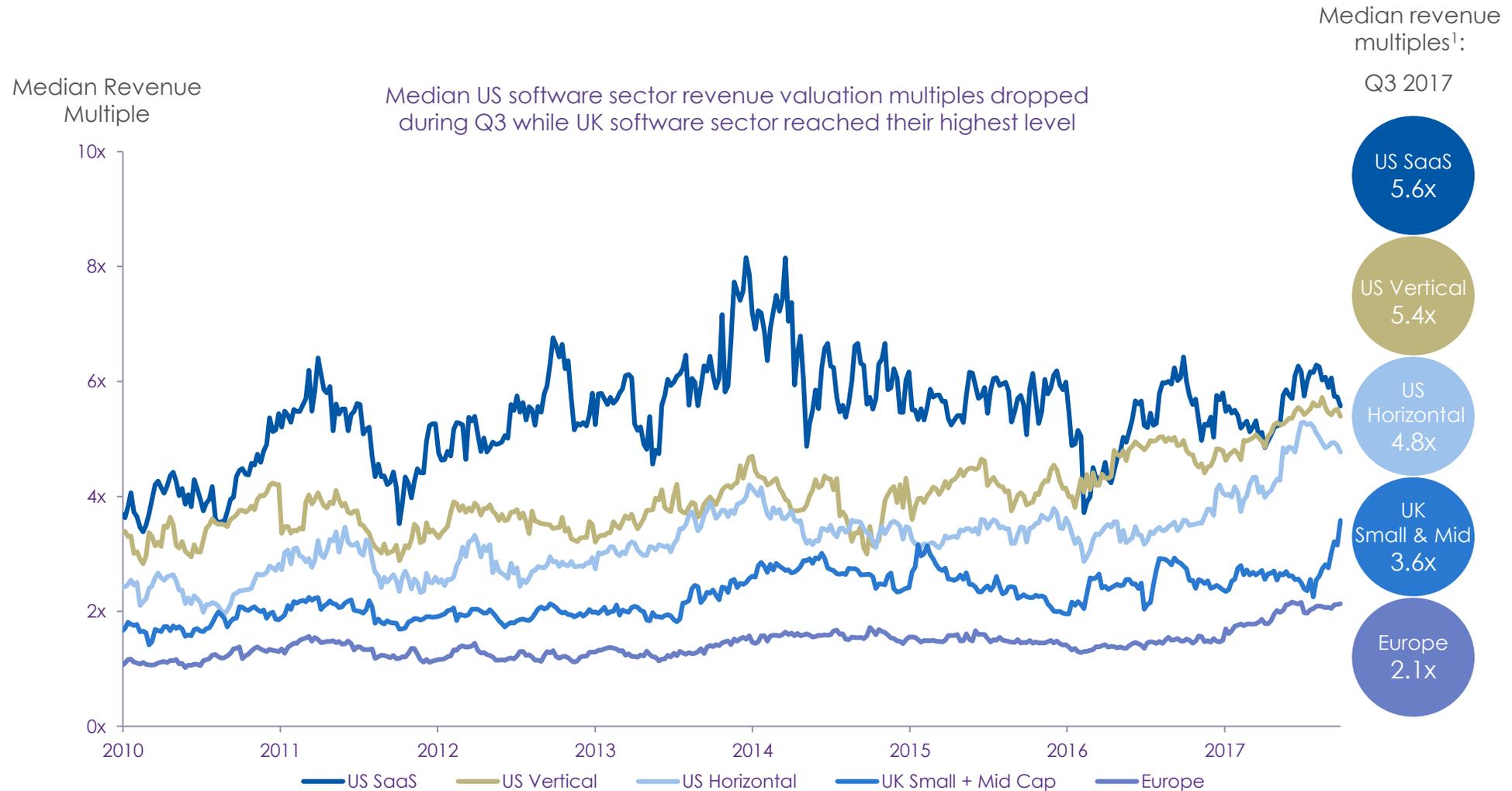
The number of Private Equity transactions has fallen c. 19% year-on-year (YOY)

- A notable transaction this quarter was Centerbridge Partners' \$1.26bn acquisition of Syncsort and Vision Solutions from Clearlake Capital Group (that will retain a minority ownership stake in the combined company)
- Revenue growth forecasts have stayed flat:
 1. Slight drop in the Median growth estimates for US SaaS companies
 2. UK Small and Mid cap and European companies show a minor decline in median growth outlook compared to Q2 but still higher YOY
 3. US Vertical and US Horizontals median growth rates have experienced a minimal increase

Report highlights

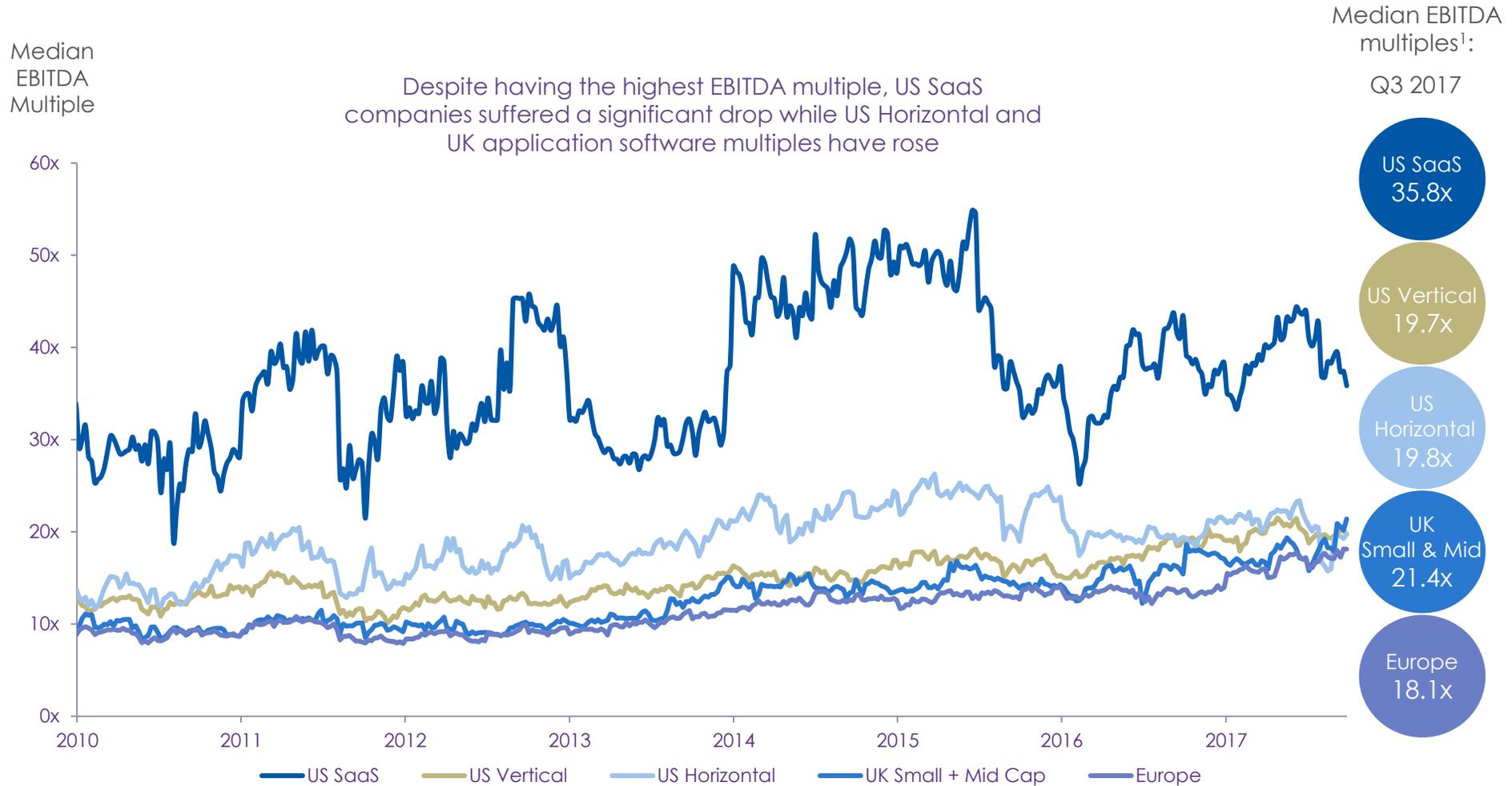
	Median revenue multiples ¹		Commentary
	Q2 2017	Q3 2017	
US SaaS	6.2x	-9.6% ↓ 5.6x	<ul style="list-style-type: none"> US SaaS companies have lost in Q3 a big part of what they gained from Q1 to Q2 in terms of EV/Rev valuations This decline in valuation is in line with the slowdown in the sector's expected revenue growth rates, which declined by 1.9% to 19.8% quarter-on-quarter, despite remaining as the category with the largest growth rates
US Vertical	5.5x	-1.8% ↓ 5.4x	<ul style="list-style-type: none"> US-Vertical valuations slightly declined, ending the period at a TEV/Rev of 5.4x and TEV/EBITDA of 19.7x from 19.9x in Q2 On the other hand, median revenue growth rates were relatively unchanged rising from 9.9% in the prior quarter to 10.6%
US Horizontals	5.3x	-9.4% ↓ 4.8x	<ul style="list-style-type: none"> US-Horizontals valuations dropped this quarter, with TEV/Rev valuations falling by -0.6x to 4.8x On the other hand, TEV/EBITDA has spiked from 17.0x in Q2 to 19.8x in Q3 surpassing US Vertical TEV/EBITDA
UK Small & Mid	2.9x	+24.1% ↑ 3.6x	<ul style="list-style-type: none"> UK software valuations rose during Q3, with current TEV/REV at 3.6x and EBITDA multiples at 21.4x compared to 2.8x and 16.6x YOY respectively Median EBITDA Margin has improved reaching a median of 18.3% in Q3, a relative increase of 14.4% quarter-on-quarter while revenue growth expectations remain flat around 15.4%
Europe	2.1x	— 0% 2.1x	<ul style="list-style-type: none"> European software companies' TEV/Rev valuations have flattened in Q3, after the valuation's rose for the last two quarters Revenue growth expectations are slightly lower compared to Q2, but higher than YOY comparison, the profitability has gone down relatively -8.7% YOY

Software sector valuation metrics: revenue multiples



1. As at 30th September, 2017
Source: Silverpeak / S&P Capital IQ

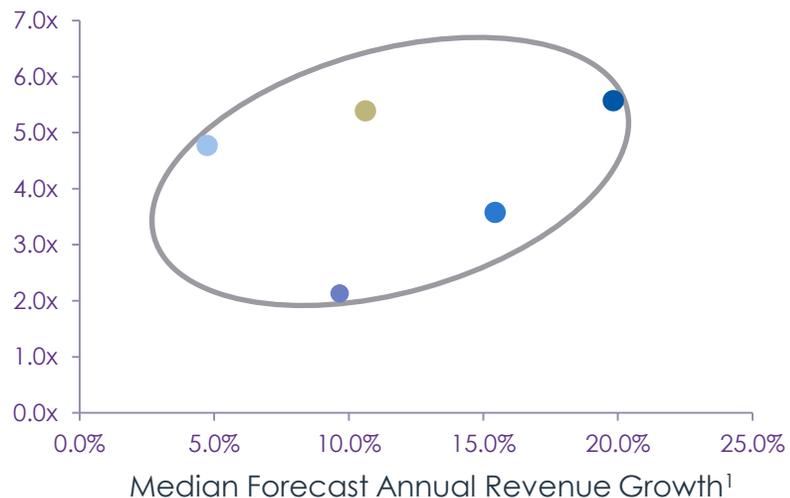
Software sector valuation metrics: EBITDA multiples



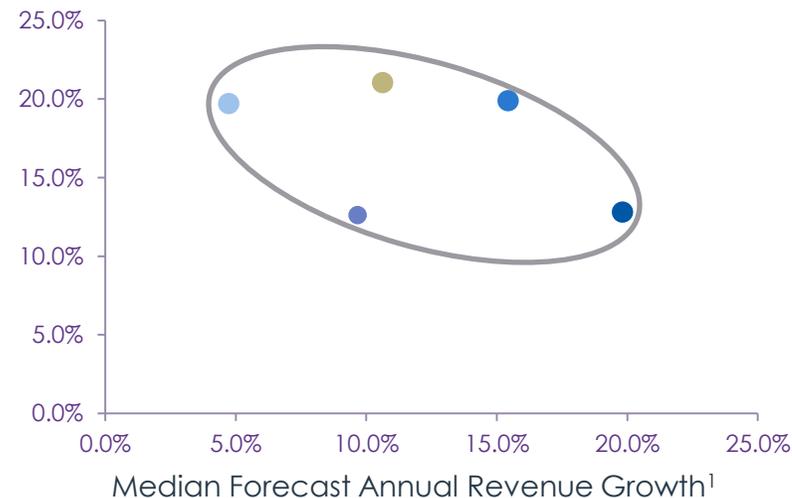
1. As at 30th September, 2017
Source: Silverpeak / S&P Capital IQ

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 September, 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

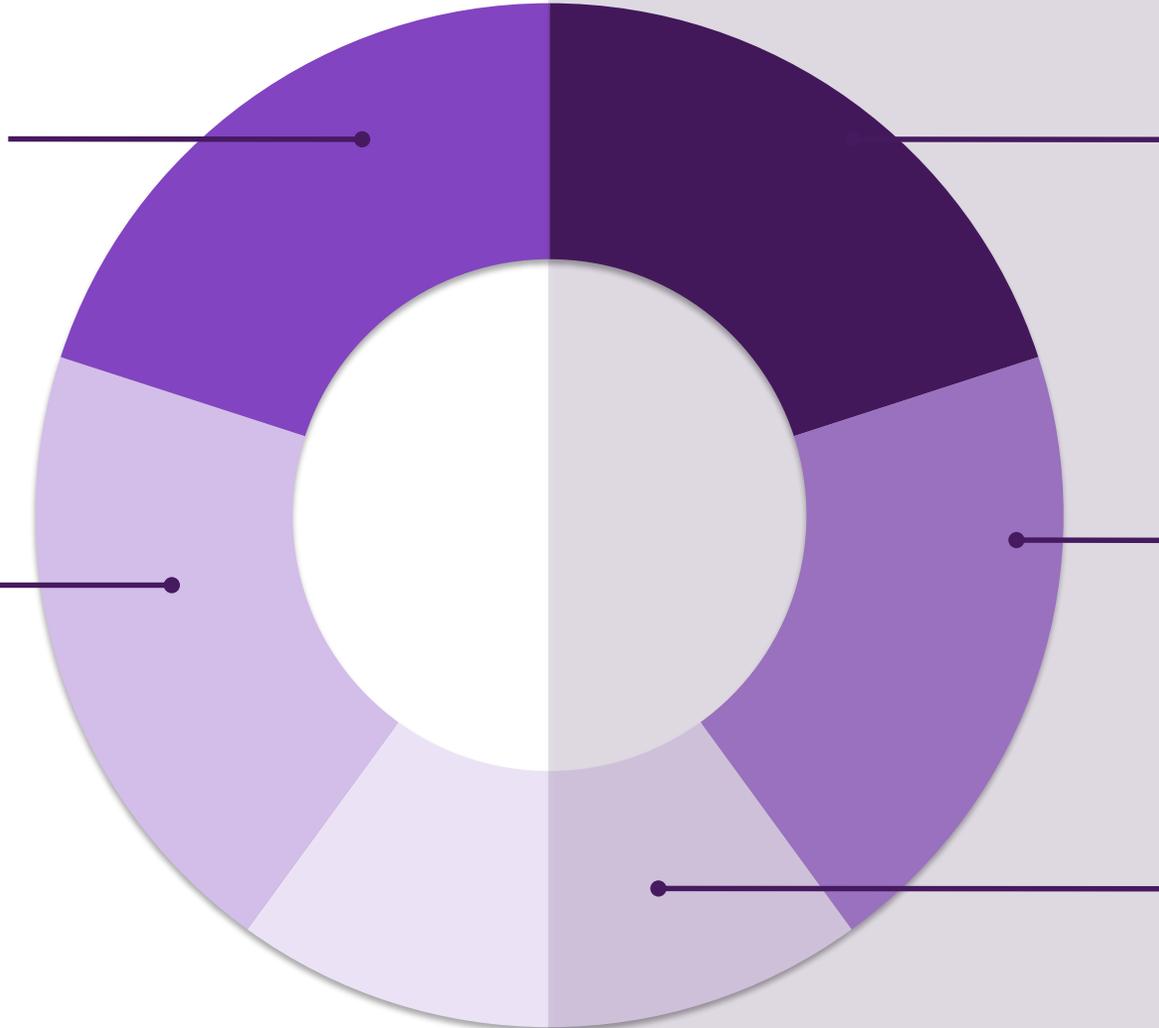
Company categorisation

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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