



**SILVERPEAK**

technology  
investment banking

# Silverpeak Benchmark Report Q4 2017

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

**SILVERPEAK**

LONDON | PARIS | MILAN | HAMBURG | MUNICH | BERLIN

# Silverpeak's selected recent software experience

Germany / Germany



**STARTEC**  
PAYMENT

POS payment specialist


sale of controlling stake to



heidelpay

OCTOBER 2017

UK / US



**CAKE**


Payment software for the hospitality sector

has been sold to

Undisclosed US \$50bn+ financial institution

OCTOBER 2017


Germany / Germany



**AUVESY.**

Data management software

sale of majority stake to



BROCKHAUS PRIVATE EQUITY

SEPTEMBER 2017

Germany / Germany / US



**MARKETLOGIC**

Cognitive insight platform

investment by




GENUI + SUMMIT PARTNERS

Advisor to Genui

MAY 2017


UK / UK / US



**Blackbay**  
Empowering Mobile Workers

Logistics software


has been sold to



FP BLU JAY

APRIL 2017


UK / US



**silverlining**  
solutions

Employee performance optimisation software


has been sold to



Genesys

FEBRUARY 2017


Germany / China



**hetras**

Hotel management SaaS


has been sold to



Shiji Network  
石基信息

AUGUST 2016


Germany / Germany



**MHP**  
SOLUTION GROUP

Shipping logistic & foreign trade software solutions

has been sold to



Elvaston

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**  
evolution ag

Airline cost management and profitability solution

has been sold to



Sabre

APRIL 2016

# Commentary

## Highlights

- Overall, during 2017 all categories used in this research experienced an increase in revenue multiples compared to 2016 year end
- Both US SaaS and US Vertical experienced an increase in TEV/Rev valuations during Q4 despite lower revenue growth expectations than previous quarter
- US Horizontal and Europe revenue multiples flattened during Q4. While the Europe EBITDA multiple rose, US Horizontal dropped to the same level as the end of 2016
- After an extraordinary Q3, UK Small & Mid cap TEV/Rev saw a 25% correction. However, UK Small & Mid cap revenue growth expectations continue to rise and they are only being surpassed by US SaaS companies

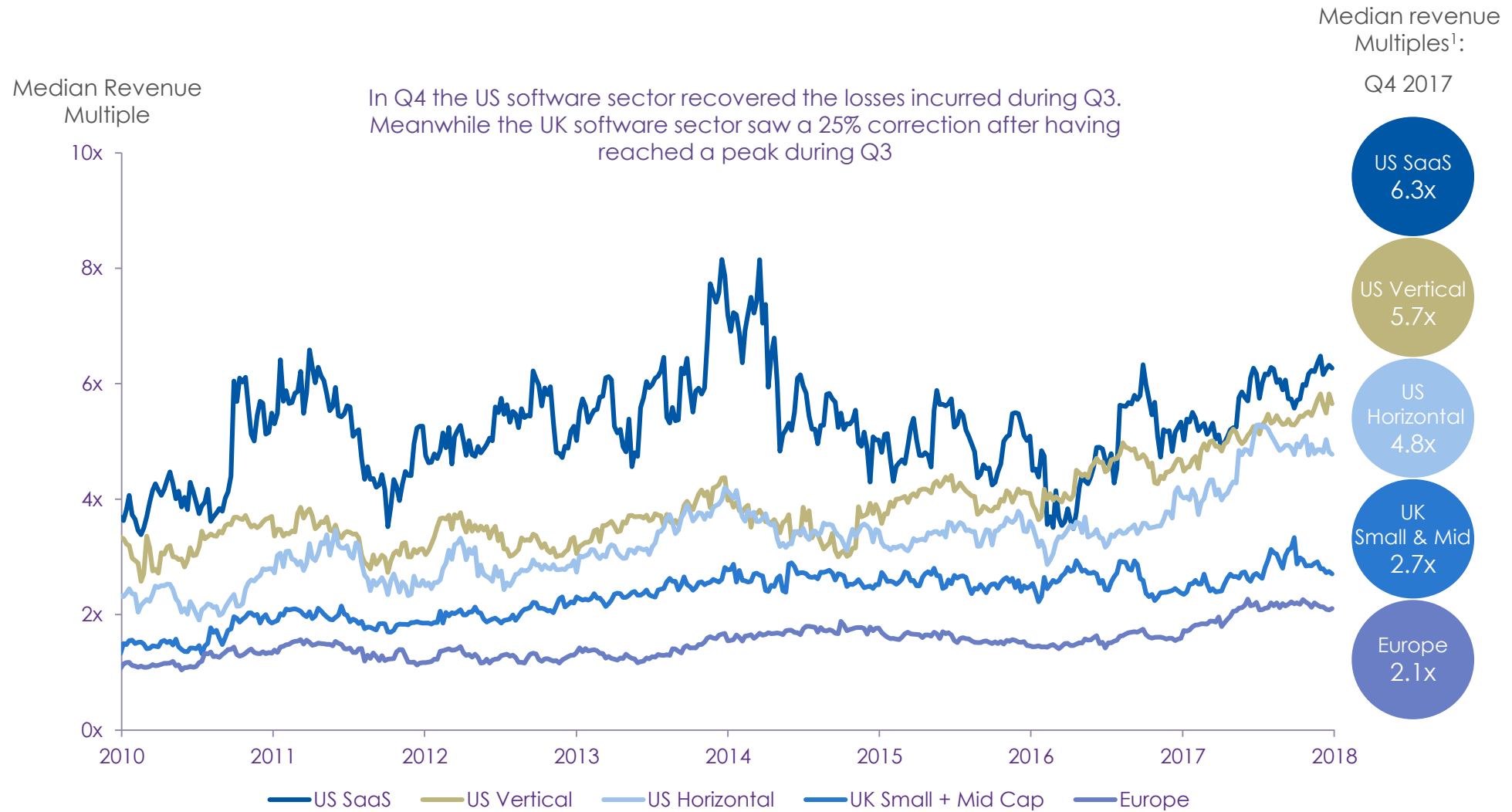
## Key Themes

- Despite private equity interest in the application software sector  
**The number of Private Equity transactions has fallen c. 25% year-on-year (YOY)**
- No significant sizable PE transactions were recorded during Q4 but the space has seen some activity from mid market players such as Summit Partners, HIG Capital, Bpifrance, Inflexion and LDC among others
- Revenue growth forecasts continue to show some interesting data points:
  1. US SaaS Median growth estimates have dropped since last year's high of c.25% revenue growth and now seems to have stabilised at c.20%
  2. Revenue growth for US Vertical companies also dropped compared to Q3 but still remains higher than YOY
  3. Europe continue to show an increase of c.4% to 11.2% on their revenue forecasts compared to YOY

# Report highlights

	Median revenue multiples <sup>1</sup>		Commentary
	Q3 2017	Q4 2017	
US SaaS	5.6x	↑ +12.5% 6.3x	<ul style="list-style-type: none"> <li>US SaaS companies have recovered their Q3 losses in terms of EV/Rev valuations</li> <li>As well as showing lower expected revenue growth rate than Q3 and Q4 YOY, US SaaS companies rise in valuation was 12% and 10% quarter-on-quarter (QOQ) and YOY respectively. This category shows the largest growth rates</li> </ul>
US Vertical	5.4x	↑ +4.8% 5.7x	<ul style="list-style-type: none"> <li>US Vertical valuations increased, continuing the upward trend, which started during Q4 2016, from 4.8x to 5.7x showing an uplift of 17%</li> <li>US Vertical Median EBITDA Margin is the highest of the 5 categories analysed, however, median revenue growth rate remains relatively low at 8.8% but still higher than YOY where it was 5.8%</li> </ul>
US Horizontal	4.8x	— 0% 4.8x	<ul style="list-style-type: none"> <li>US Horizontal valuations increased by 30% during 2017, however this quarter TEV/Rev valuations flattened and stayed at the same level as Q3</li> <li>In contrast, TEV/EBITDA went down from 19.8x in Q3 to 19.1x in Q4 ending 2017 at the same TEV/EBITDA multiple as Q4 2016</li> </ul>
UK Small & Mid	3.6x	↓ -24.5% 2.7x	<ul style="list-style-type: none"> <li>UK software valuations ended the year the same as Q4 2016, having peaked during Q3, TEV/Rev dropped by 25% QOQ</li> <li>Median EBITDA Margins remain higher than Q4 2016 but lower than QOQ. Meanwhile revenue growth expectations continue to rise, reaching 17.3%, and are only surpassed by US SaaS companies</li> </ul>
Europe	2.1x	— 0% 2.1x	<ul style="list-style-type: none"> <li>European software companies' TEV/Rev valuations remain flat, continuing higher than YOY but still showing the lowest multiples compared to the other categories</li> <li>Revenue growth expectations are higher compared to Q3, but very similar to YOY comparison, the profitability continues stable and at same levels of YOY</li> </ul>

# Software sector valuation metrics: revenue multiples



1. As at 31<sup>st</sup> December, 2017  
Source: Silverpeak / S&P Capital IQ

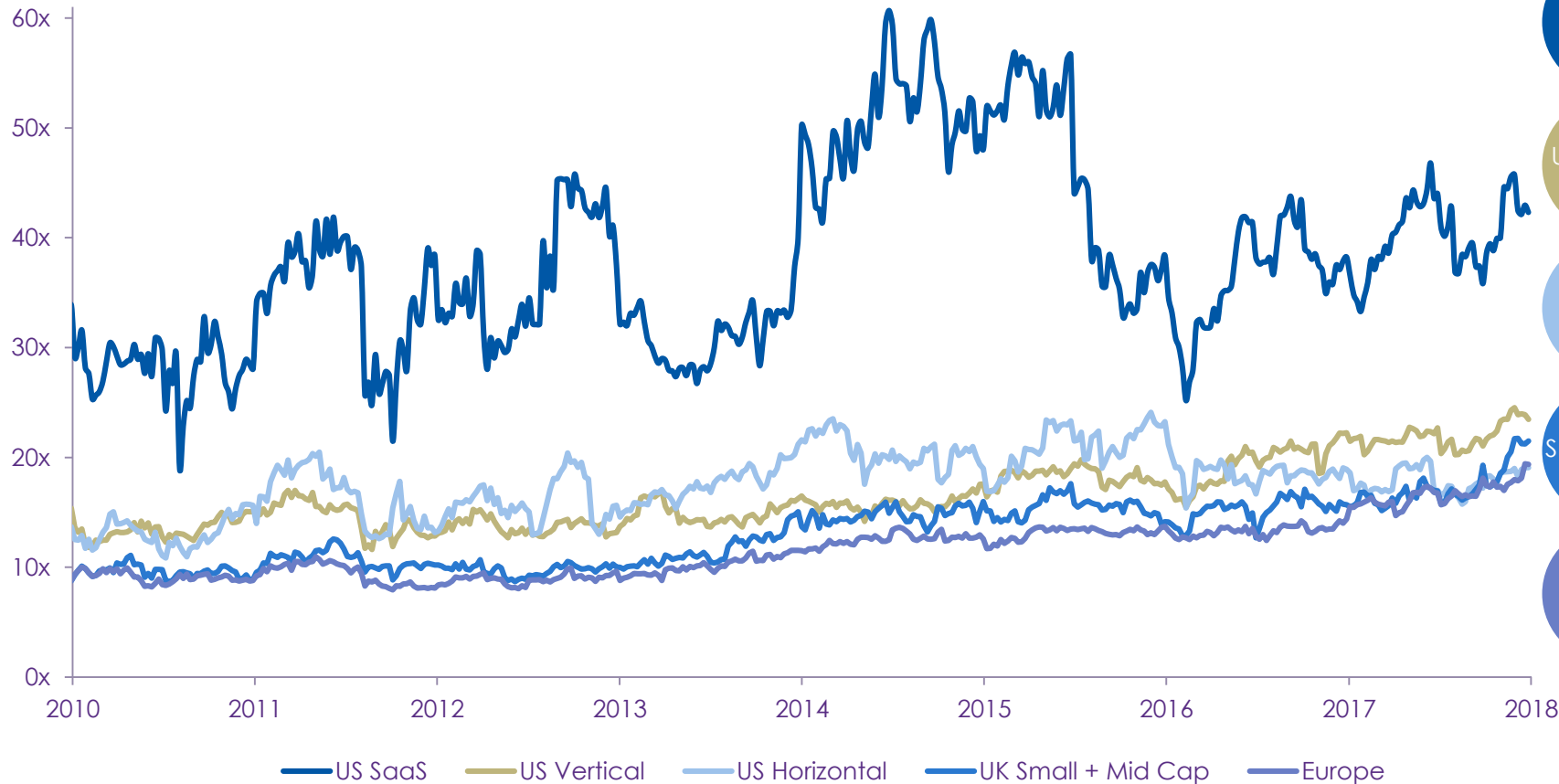
# Software sector valuation metrics: EBITDA multiples

Median EBITDA Multiple

US SaaS companies continue to show the highest multiples but remain the most volatile. UK Small & Mid and Europe saw a significant improvement comparing YOY

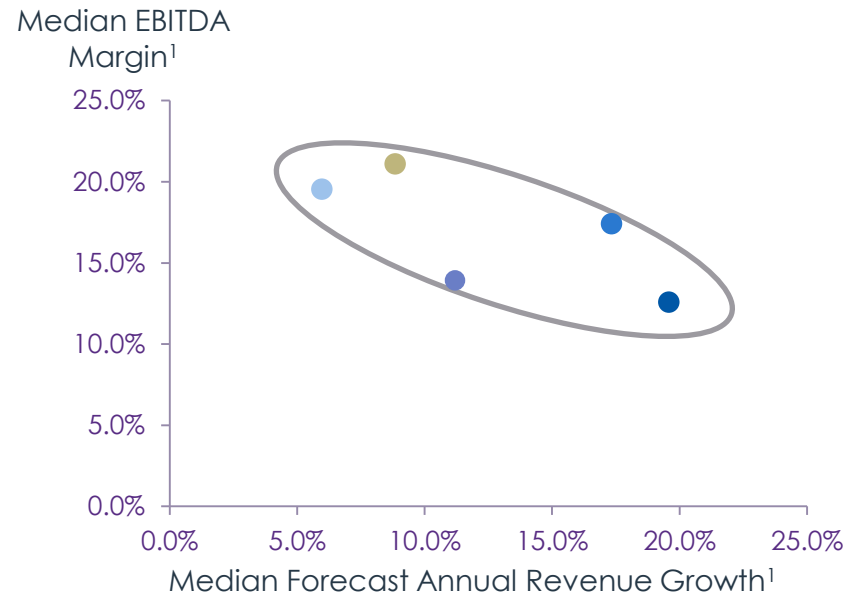
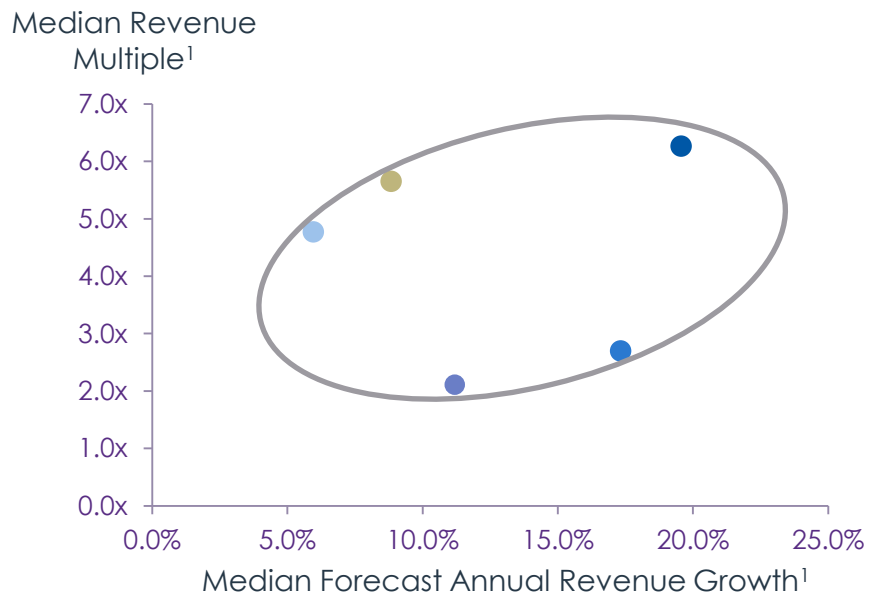
Median EBITDA Multiples<sup>1</sup>:

Q4 2017



1. As at 31<sup>st</sup> December, 2017  
Source: Silverpeak / S&P Capital IQ

# Software sector valuation metrics<sup>1</sup>: summary



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

1. As at 31<sup>st</sup> December, 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

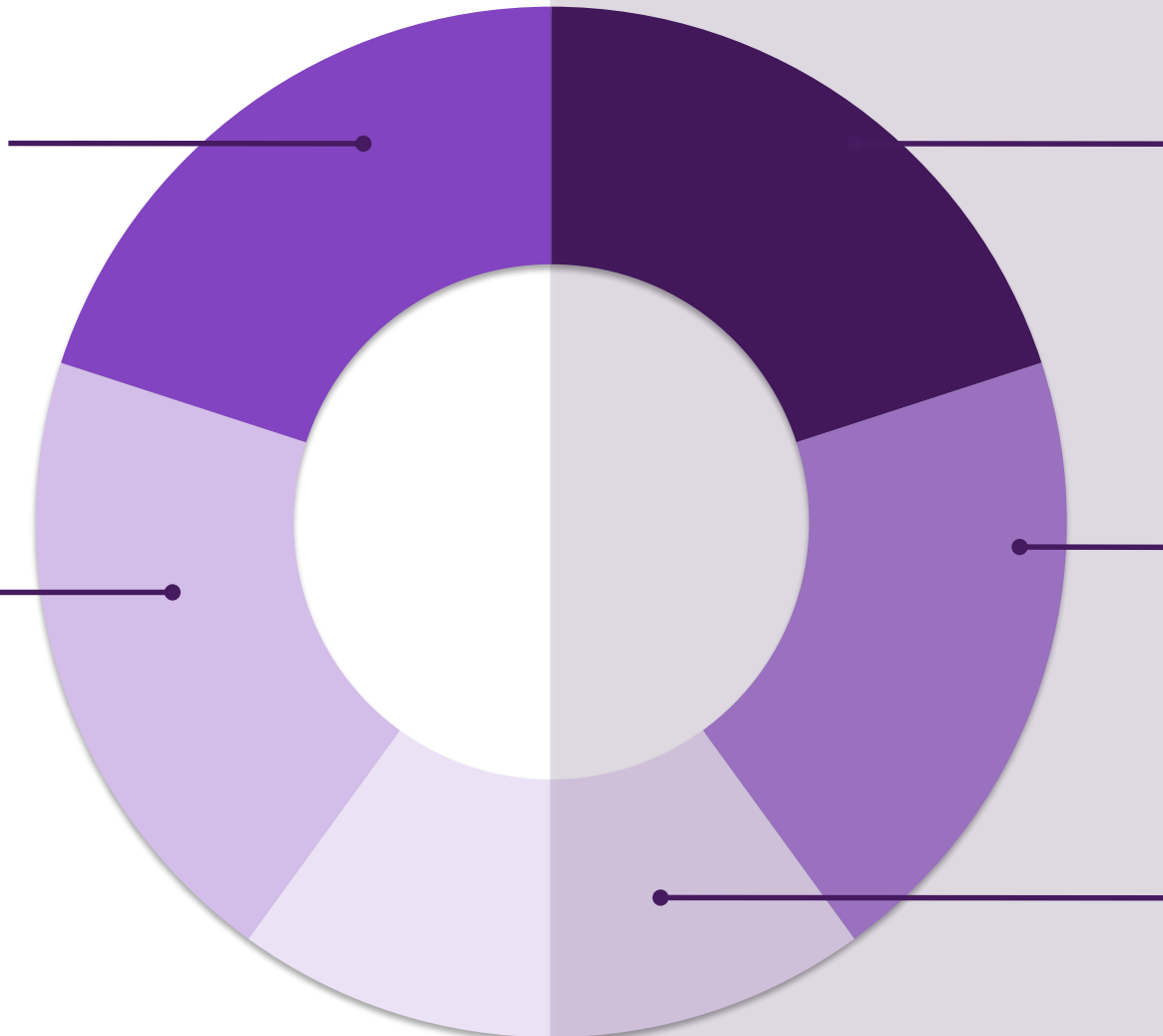
# Company categorisation

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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