

Silverpeak Benchmark Report Q4 2018

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



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Overview



// SELECTED RECENT SOFTWARE EXPERIENCE

// REPORT HIGHLIGHTS

// METRICS : REVENUE MULTIPLES

// METRICS : EBITDA MULTIPLES

// METRICS : SUMMARY

// COMPANY CATEGORISATION

UK / Ireland

dictate.it

Clinical speech recognition services & software

Sale

Clanwilliam group

December 2018

France / France

sentryo

M2M cybersecurity for the industrial internet

Investment by

sopra steria **BNP PARIBAS DÉVELOPPEMENT**

OMNES **ALLIANCE ENTREPRENDRE**

kreaxi **ACE** **REPLY**

November 2018

UK / UK

ticketer

Public bus smart ticketing & cloud management platform

MBO

TENZING
PRIVATE EQUITY

October 2018

UK / UK

OXBOTICA

Autonomous vehicle software

Investment by

ipgroup **PARKWALK**

AXA **XL GROUP**

September 2018

US / France

SCALITY

Software for multi public cloud data management

Investment by

bpi france **GALLEO INVESTMENT**

HMC **Herbert Management Corporation** **Hewlett Packard Enterprise** **idinvest** **PARTNERS**

iris capital **Menlo** **OMNES CAPITAL**

April 2018

UK / US

CAKE

Mobile payment & analytics platform

Sale

AMERICAN EXPRESS

October 2017

UK / UK

LYCEUM CAPITAL

Isotrak

Fleet management technology & software

Strategic advice
buyside

verilocation
tracking solutions

June 2017

UK / UK

Blackbay

Empowering Mobile Workers

Logistics software

Sale

FP
FRANCISCO PARTNERS

BLU JAY
SOLUTIONS

April 2017

Key Takeaways

01

US SaaS median revenue multiple plunged 27.4% QOQ to 5.5x, the largest dip in our 5 categories. The median EBITDA margin grew slightly to 11.4%, and revenue growth expectations rose slightly by 2.5% QOQ and 5.8% YOY to 25.4%

02

US Horizontal and US Vertical revenue multiples followed the trend of US SaaS and dropped by 13.3% and 18.1% respectively

03

UK Small & Mid revenue growth forecasts decreased by 1.9% QOQ. The median revenue multiples also decreased significantly by 25.9% to 3.2x

04

European companies, who continue to have the lowest valuations, saw one of the smallest drops in revenue multiples from 2.3x to 2.0x (13.6% QOQ)

After the Q4 correction across all categories, US multiples partially recovered during January

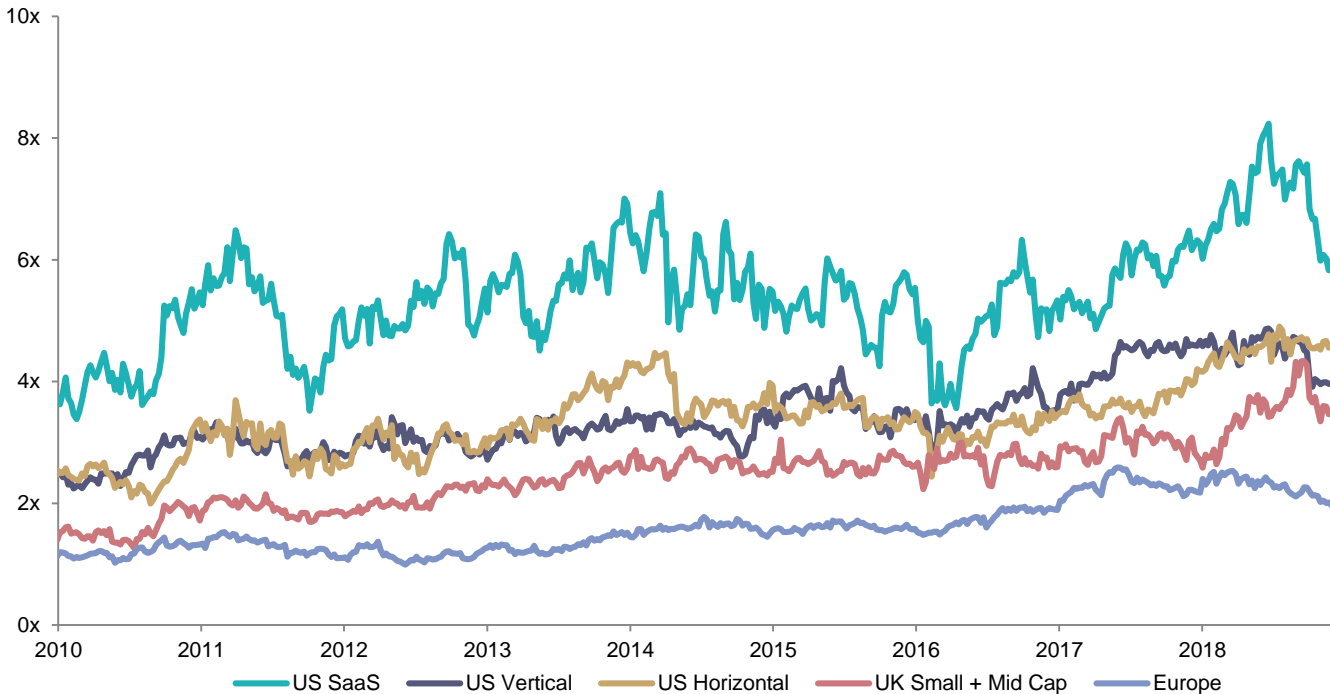
Report Summary

CATEGORY	MEDIAN REVENUE MULTIPLES ¹		COMMENTARY
	Q3 2018	Q4 2018	
US SaaS	7.6x	-27.4% ▼ 5.5x	<ul style="list-style-type: none"> Plunged from Q3 high 8.2x to 5.5x at the end of Q4, closed -27.4% QOQ and -12% YOY Median EBITDA margin increased slightly by 0.3% QOQ to 11.4% Revenue growth expectations grew to 25.4% from Q3 of 22.9%
US Vertical	4.5x	-18.1% ▼ 3.7x	<ul style="list-style-type: none"> TEV/Sales traded in a range between 4.0x max and 3.7x min, the latter closing Q4 TEV/Sales had max of 4.0x which was lower than the min of Q3 of 4.4x Median EBITDA margin remained unchanged at 17.0% comparing to that of Q3
US Horizontal	4.7x	-13.3% ▼ 4.1x	<ul style="list-style-type: none"> Median revenue multiples fell by 13.3% to 4.1x, being the smallest fall amongst all categories Median EBITDA margin grew to 17.7% from 15.1% in the previous quarter Revenue growth expectations grew to 12.2% (+1.2% QOQ and +6.2% YOY)
UK Small & Mid	4.3x	-25.9% ▼ 3.2x	<ul style="list-style-type: none"> Median revenue multiples plunged 25.9% QOQ but they are still up by 26% YOY Revenue growth forecasts decreased by 1.9% QOQ and 4.6% YOY to 12.7% Median EBITDA margin remained stable, only growing by 0.6% QOQ to 17.2%
Europe	2.3x	-13.6% ▼ 2.0x	<ul style="list-style-type: none"> Remained trading at the lowest valuations amongst the different categories Median revenue multiples decreased steadily during Q4 and closed at 2.0x Revenue growth expectations fell by 1.7% QOQ to 11.3%

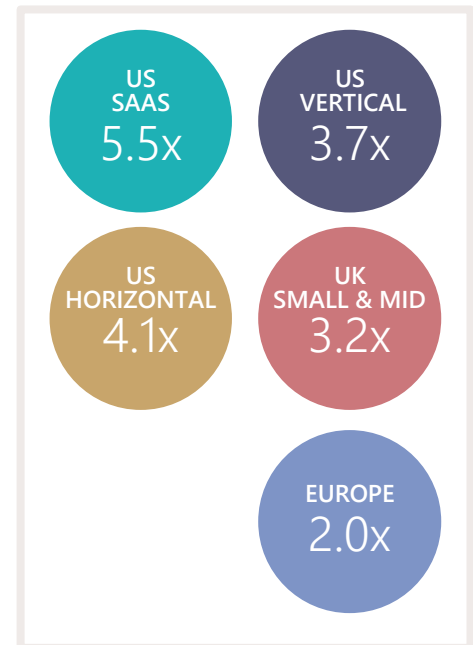
¹ As at 31st December, 2018 Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics: revenue multiples

MEDIAN REVENUE MULTIPLE



MEDIAN REVENUE MULTIPLES Q4 2018¹

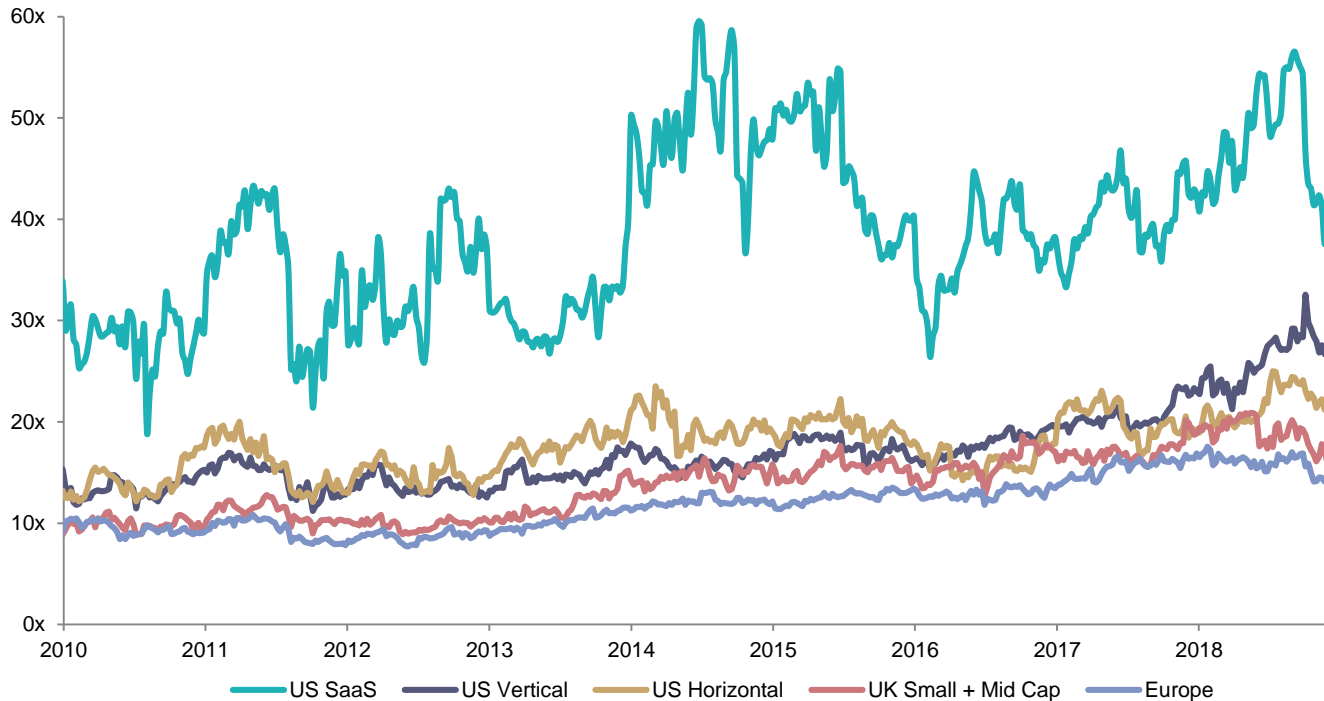


US SaaS plunged dramatically in Q4, closing at a year low, not seen since Q3 2017
 All 5 categories dropped during the last few weeks of the year

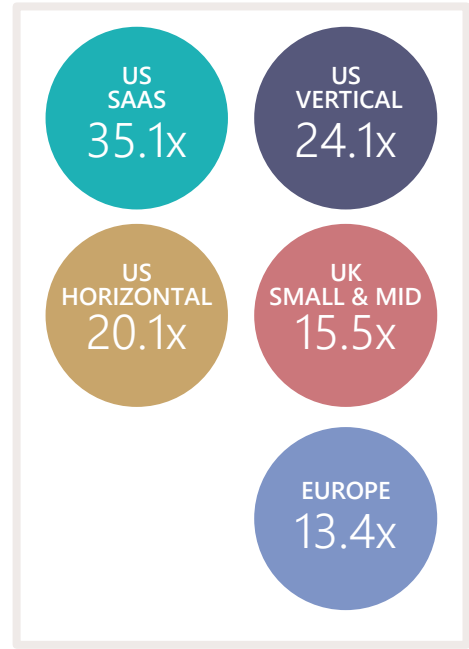
¹ As at 31st December, 2018 Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics: EBITDA multiples

MEDIAN EBITDA MULTIPLE



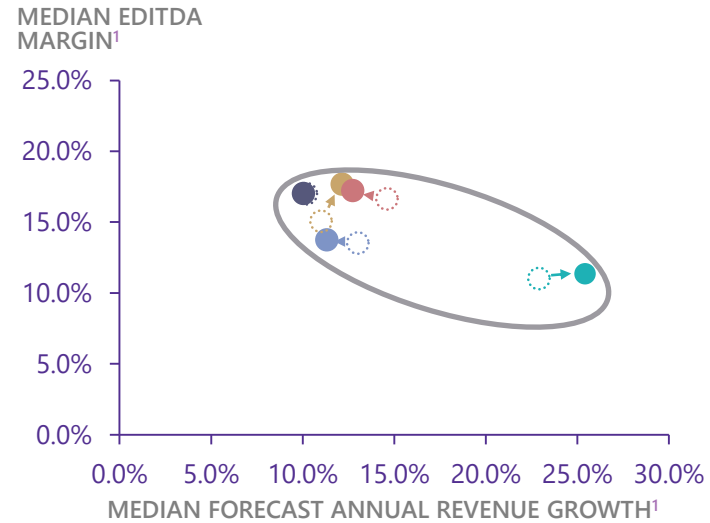
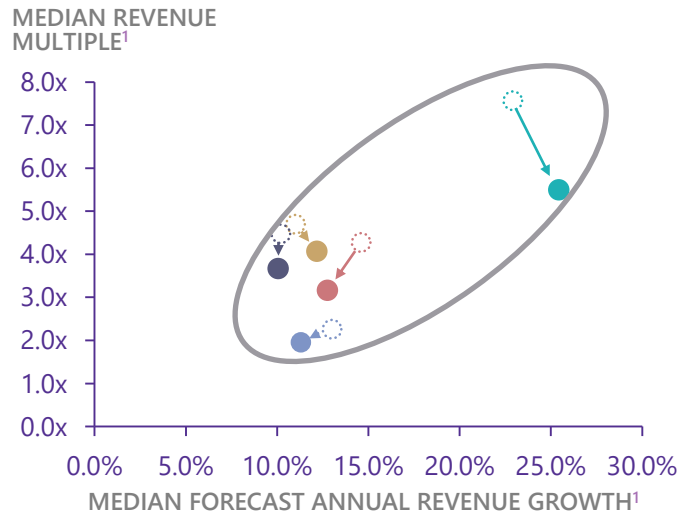
MEDIAN EBITDA MULTIPLES Q4 2018¹



US SaaS dipped during Q4 to the lowest point seen in 2018
 Only UK Small & Mid saw a slightly recovery at the end of the year

¹ As at 31st December, 2018 Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics¹: summary



	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q4 2018					
Q3 2018					

¹ As at 31st December, 2018 Source: Silverpeak / S&P Capital IQ

Company categorisation

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



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 publically quoted application software companies

Europe*

European publicly quoted application software companies

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

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