

Silverpeak Benchmark Report Q3 2019

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



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FR | US

M2M cybersecurity for the industrial internet

Sale

August 2019

GB | GB | US

Autonomous vehicle software

Investment by

July 2019

GB | GB

SaaS RPA platform

Sale

July 2019

US | NL | BE

Hospitality ERP SaaS

Sale

June 2019

IT | NL

Fingerprint scanners & software

Sale

December 2018

GB | IE

Clinical speech recognition services & software

Sale

December 2018

FR | FR

M2M cybersecurity for the industrial internet

Investment by

November 2018

GB | GB

Public bus smart ticketing & cloud management platform

MBO

October 2018

GB | GB | US

Autonomous vehicle software

Investment by

September 2018

US | GB | FR

Software for multi public cloud data management

Investment by

April 2018

Denotes Silverpeak transaction

Key Takeaways

US Horizontal and Vertical EBITDA multiples have reached record highs in Q3 2019

01

US SaaS multiples have been peaking since March 2019 but are showing signs of a potential downturn occurring in Q4 2019, supported by their 7% drop in revenue multiples since Q2.

However, their median EBITDA margin has been outperforming the other categories, rising 1.4% versus their average 2% decline.

02

US Horizontal revenue multiples took a nose dive, falling 11% from last quarter; effectively ending the period from Q3 2018 in which it was consistently above US Vertical.

03

UK Small & Mid revenue multiples have been stagnant since 2015 and their EBITDA multiples have been slowly falling; not recovering from their 7x plunge in Q4 2018.

04

European companies did not experience a decline themselves, instead growing 0.6%, despite the bear-ish market, where there was an average fall of 7% in revenue multiples across the other 4 categories.

Report Summary

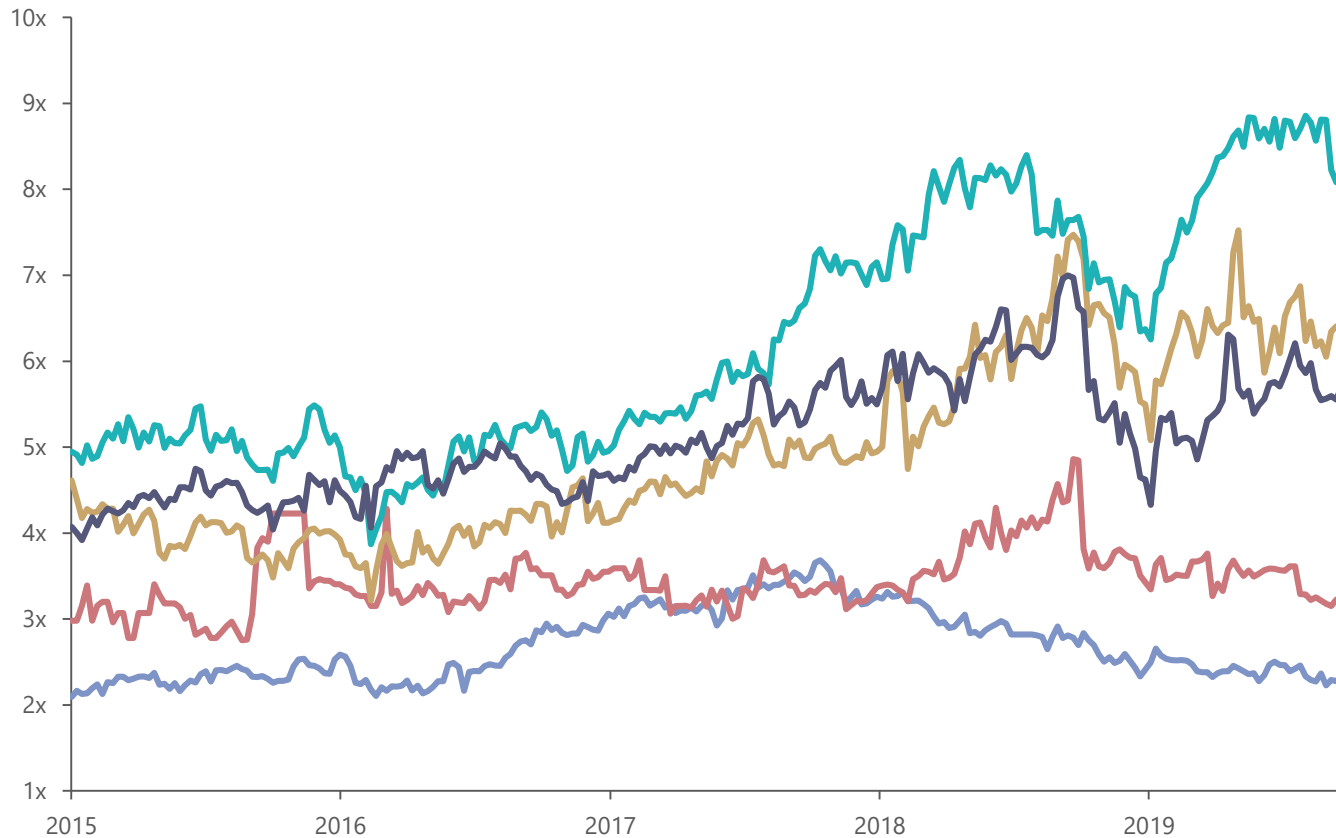
CATEGORY	MEDIAN REVENUE MULTIPLES*		COMMENTARY	
	Q2 2019	Q3 2019		
US SaaS	8.7x	-6.9% ▼	8.1x	<ul style="list-style-type: none"> • Revenue multiples peaked at 8.8x in August before falling to 8.1x at quarter end • Median EBITDA margin rose by 1.4% since Q2 to 22.4% • EBITDA multiples remain above 40x, nearly hitting its previous high of 44x in July
US Vertical	5.8x	-1.7% ▼	5.7x	<ul style="list-style-type: none"> • Revenue multiples fell, despite what looked to be a positive recovery when they hit 6.2x in July • Median EBITDA margin fell by almost 2% down to 18.1% • Median revenue growth outlook has increased to 11% from 9.9% in Q3 2019
US Horizontal	6.3x	-11.1% ▼	5.6x	<ul style="list-style-type: none"> • Median revenue multiples plummeted 11% since last quarter and over 20% since Q3 2018 • EBITDA margin declined 1.6% from the previous quarter to 22.8% • Median revenue growth outlook fell to 11.5% from 12.7% in Q3 2019
UK Small & Mid	3.6x	-8.3% ▼	3.3x	<ul style="list-style-type: none"> • Median revenue multiples decreased by more than 8% to 3.3x • EBITDA margin experiences the largest drop out of all the categories to 16.3% • EBITDA multiples have fallen by over 3x since Q3 2018
Europe	2.5x	=	2.5x	<ul style="list-style-type: none"> • In 2019, EBITDA multiples are consistently outperforming UK Small & Mid for the first time • Europe was the only category not to experience a fall from Q2 2019 • Median EBITDA margin fell 2.2% in Q3 2019 to 11.3%

Source: Capital IQ, Silverpeak

*Q3 2019 is taken at 30/09/19, Updated dataset

Median US SaaS and Horizontal multiples take a dip

Application software sector valuation metrics: median **revenue** multiples 2015-2019 Q3



MEDIAN REVENUE MULTIPLES Q3 2019

US
SAAS
8.1x

US
HORIZONTAL
5.6x

US
VERTICAL
5.7x

EUROPE
2.5x

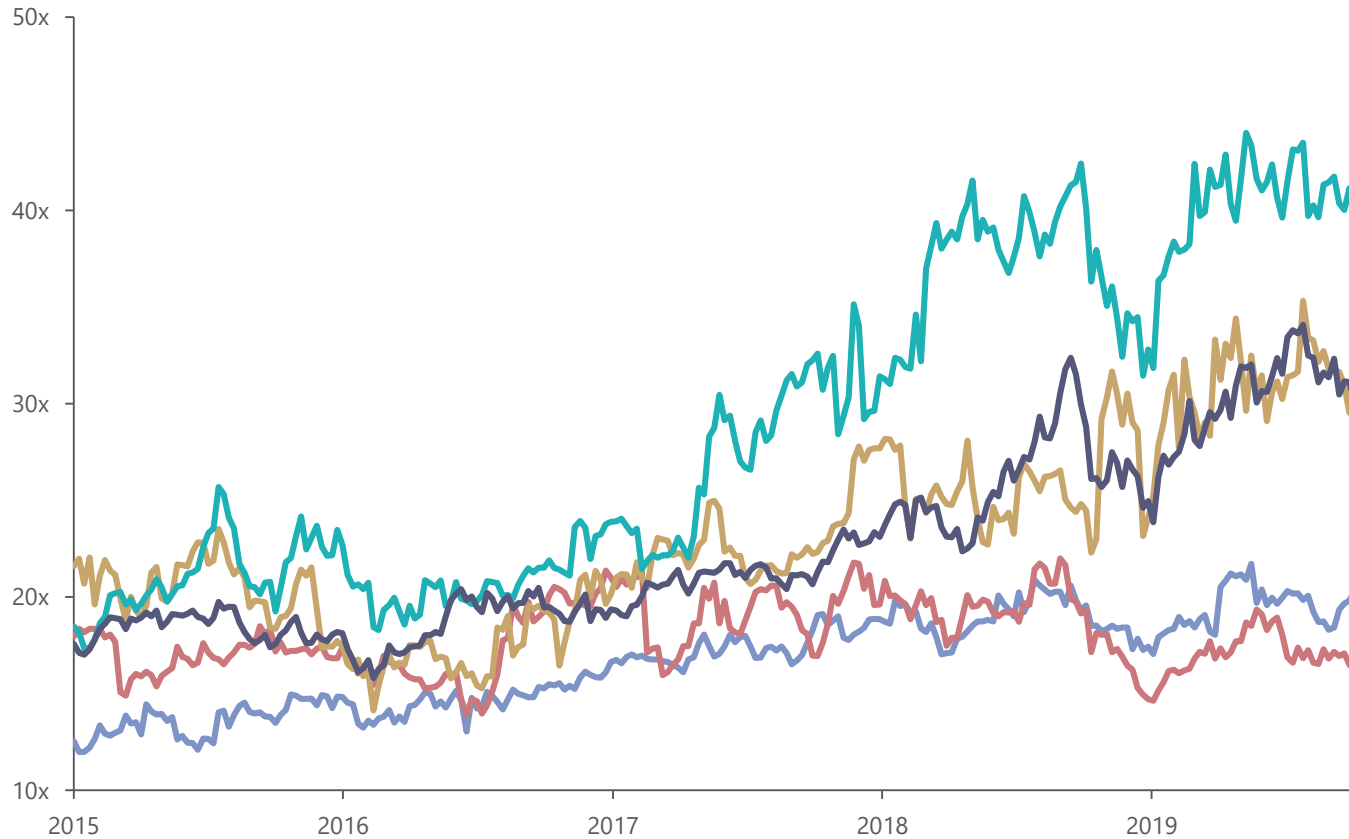
UK
SMALL & MID
3.3x

Source: Capital IQ, Silverpeak

Note: Q3 2019 multiples are taken at 30/09/19, Updated dataset

European multiples looking to diverge from post-Brexit UK

Application software sector valuation metrics: median **EBITDA** multiples 2015-2019 Q3



MEDIAN EBITDA MULTIPLES Q3 2019

US
SAAS

40.1x

US
HORIZONTAL

29.5x

US
VERTICAL

30.5x

EUROPE

20.1x

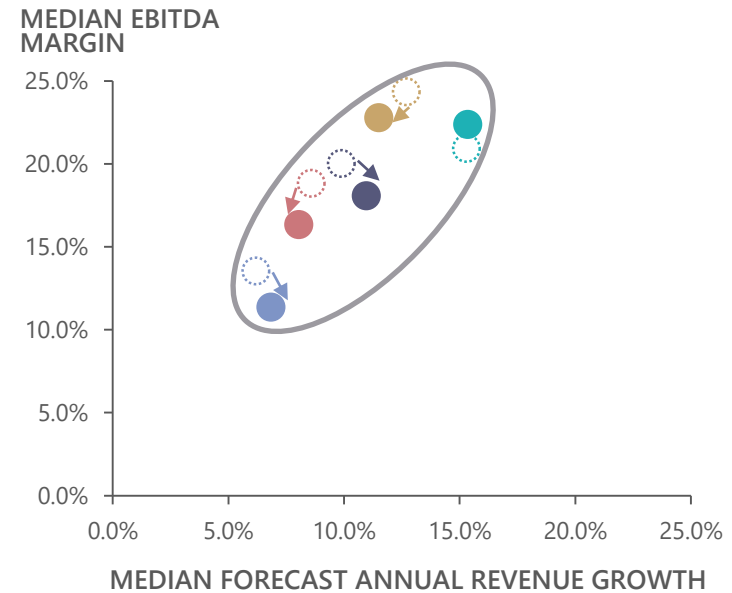
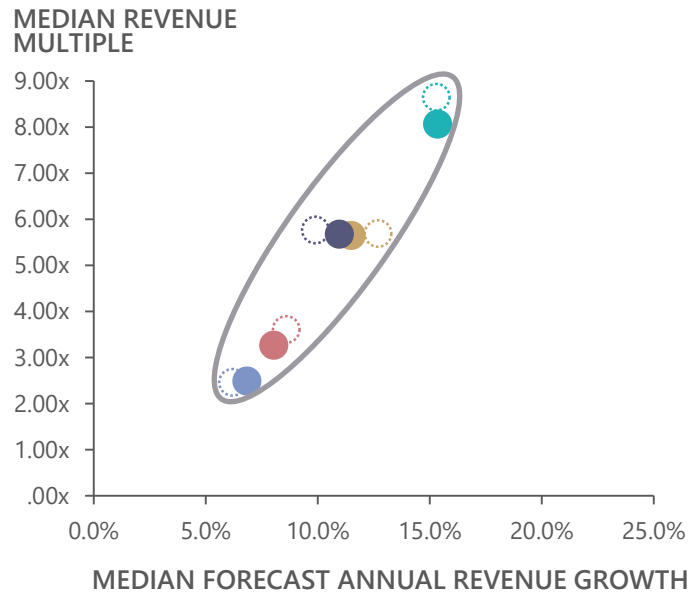
UK
SMALL & MID

16.3x

Source: Capital IQ, Silverpeak

Note: Q3 2019 multiples are taken at 30/09/19, Updated dataset

Application software sector valuation metrics: summary



	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q3 2019					
Q2 2019					

Source: Capital IQ, Silverpeak

Note: Q3 2019 is taken at 30/09/19, Updated dataset

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

Note: 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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Thank you from Silverpeak LLP