

# Silverpeak Benchmark Report Q4 2019

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



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Silverpeak advises outstanding growth technology companies on M&A and financing transactions



**European** clients – **Global** counterparties

# 01 // SELECTED RECENT TRANSACTIONS

GB | US

Cloud transformation consultancy

Sale

November 2019

EU | EU

**CONFIDENTIAL**

SaaS FinTech platform

Fundraise

\$150m

September 2019

FR | US

M2M cybersecurity for the industrial internet

Sale

August 2019

GB | GB | US

Autonomous vehicle software

Investment by

July 2019

GB | GB

Intelligent automation

Sale

July 2019

US | NL | BE

Hospitality ERP SaaS

Sale

June 2019

GB | GB

Digital bank

Investment by

December 2018

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

Denotes Silverpeak transaction

# Key Takeaways

Strong growth for US Horizontal and UK Small & Mid multiples

## 01

US SaaS revenue multiples were predicted to continue their descent from Q3, however, they rebounded from a 7.7x trough to end the quarter at 8.2x. Contrastingly, EBITDA multiples have continued to fall, reaching a low of 35.6x in H2 2019 from their H1 peak of 44.0x.

## 02

US Horizontal revenue multiples have done a U-turn since last quarter's 11% fall; increasing 22.3% to 6.9x.






## 03

UK Small & Mid EBITDA multiples have shot up 3.3x to 19.6x. They look on course to match their historical peak of 22.0x in H2 2018. Furthermore their median forecast annual revenue growth has doubled since last quarter, showing positive signs for these companies, despite the recent political events surrounding Brexit.

## 04

European revenue multiples were the only ones to fall in Q4. However, they have had the strongest growth in EBITDA margin (+4.9%) out of all the categories.

# Report Summary

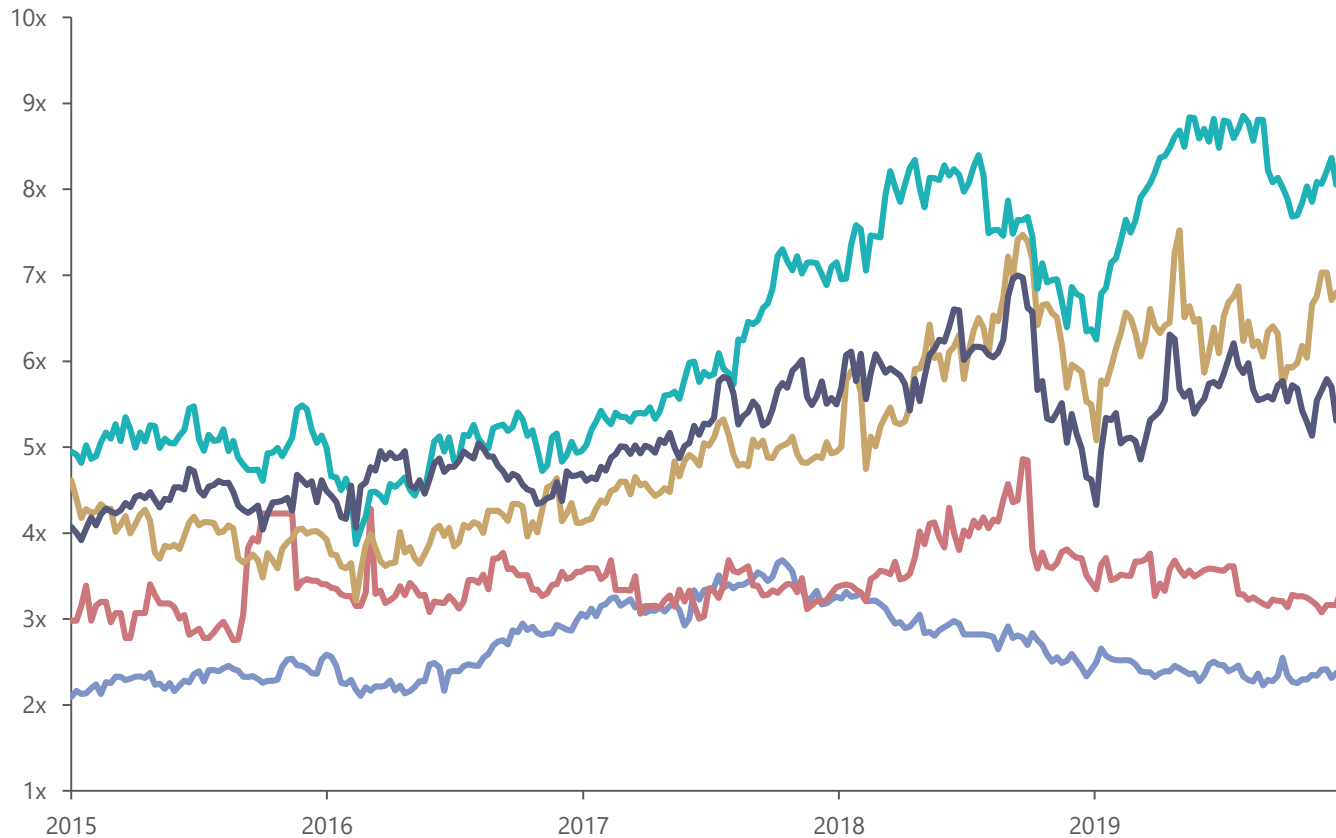
CATEGORY	MEDIAN REVENUE MULTIPLES*		COMMENTARY
	Q3 2019	Q4 2019	
US SaaS	8.1x	 +2.3% 8.2x	<ul style="list-style-type: none"> <li>Revenue multiples hit a low of 7.7x before recovering to 8.2x at quarter end</li> <li>Median EBITDA margin and forecast annual revenue growth both fell by c.0.5%</li> <li>EBITDA multiples have sunk 3% QOQ, dropping to 35.6x during the quarter</li> </ul>
US Vertical	5.7x	 5.7x	<ul style="list-style-type: none"> <li>Revenue multiples didn't change, however, are still up 1.2x YOY</li> <li>Despite forecast revenue growth falling c.2%, median EBITDA margin rose by the same amount</li> <li>EBITDA multiples fell 7% QOQ, the largest decline out of all the categories</li> </ul>
US Horizontal	5.6x	 +22.3% 6.9x	<ul style="list-style-type: none"> <li>Median revenue multiples experienced a tremendous 22.3% growth since last quarter</li> <li>Contrastingly, EBITDA multiples only grew 5% QOQ</li> <li>Little change in the median EBITDA margin and forecasted revenue growth</li> </ul>
UK Small & Mid	3.3x	 +3.9% 3.4x	<ul style="list-style-type: none"> <li>Median revenue multiples show a positive 4% growth after 5 quarters of decline</li> <li>Median forecast annual revenue growth doubled to 16.1% since Q3 (8%)</li> <li>EBITDA multiples shot up 20% (3.3x) from the previous quarter</li> </ul>
Europe	2.5x	 -4.6% 2.4x	<ul style="list-style-type: none"> <li>Europe was the only category to suffer a decline (-4.6%) in Q4 revenue multiples</li> <li>EBITDA multiples rose 3% to 20.7x, they're on trend to surpass the all time high of 21.7x</li> <li>Median EBITDA margin surged to 16.2% from Q3's 11.3%</li> </ul>

Source: Capital IQ, Silverpeak

Note: Q4 2019 multiples are taken at 31/12/19, LTM

# All multiples rally from Q3 low except Europe

Application software sector valuation metrics: median **revenue** multiples 2015-2019 Q4



**MEDIAN REVENUE MULTIPLES Q4 2019**

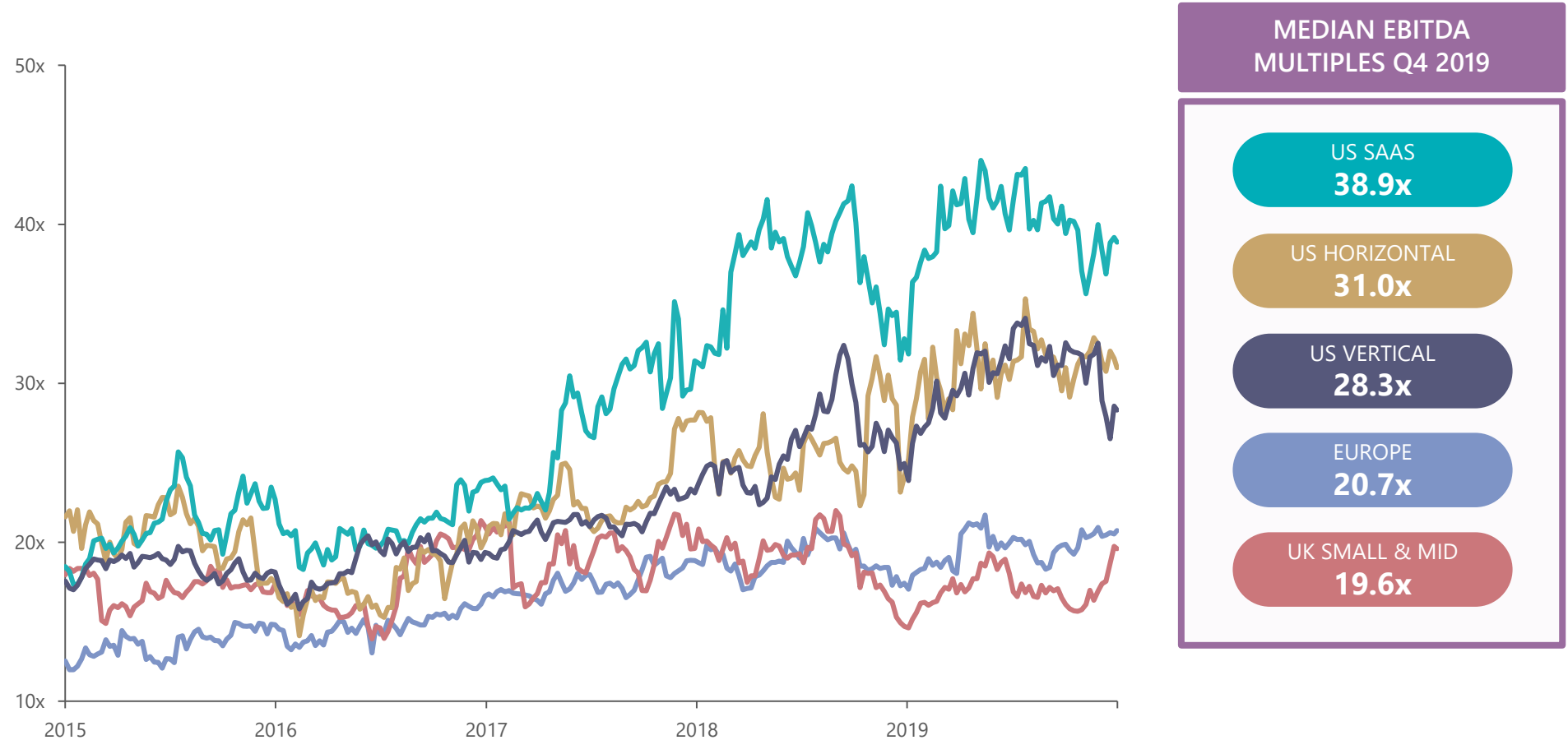
- US SAAS  
**8.2x**
- US HORIZONTAL  
**6.9x**
- US VERTICAL  
**5.7x**
- UK SMALL & MID  
**3.4x**
- EUROPE  
**2.4x**

Source: Capital IQ, Silverpeak

Note: Q4 2019 multiples are taken at 31/12/19, LTM

# UK Small & Mid experience a strong 3.3x growth

Application software sector valuation metrics: median **EBITDA** multiples 2015-2019 Q4



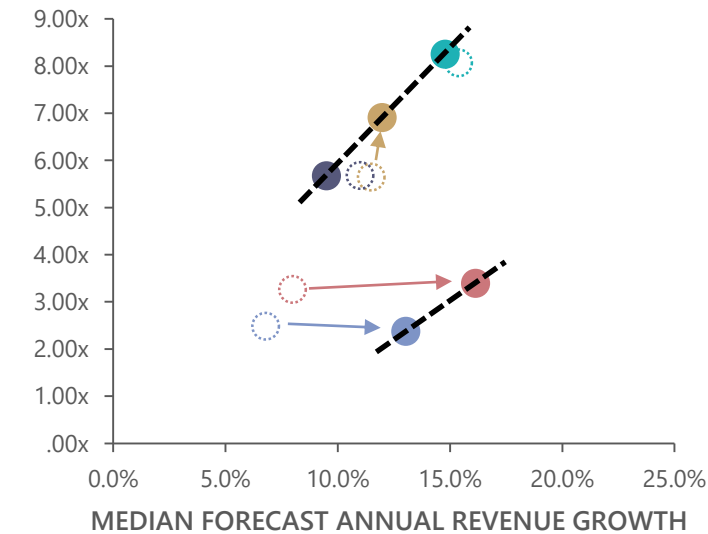
Source: Capital IQ, Silverpeak

Note: Q4 2019 multiples are taken at 31/12/19, LTM

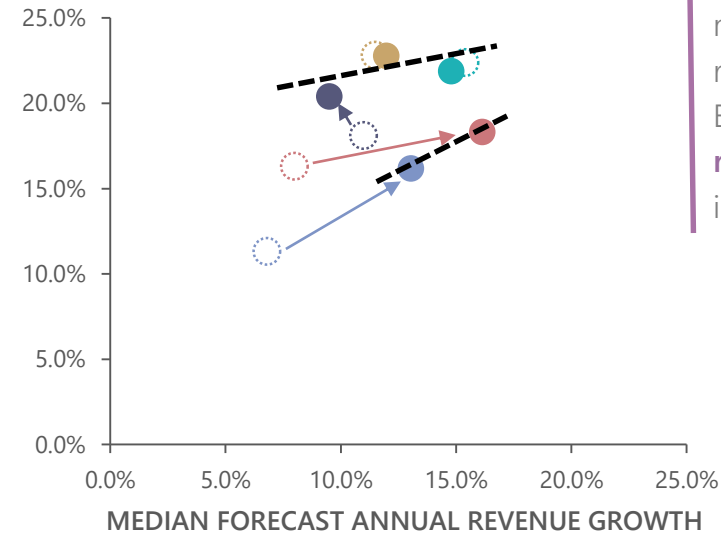


# Application software sector valuation metrics: summary

MEDIAN REVENUE MULTIPLE



MEDIAN EBITDA MARGIN



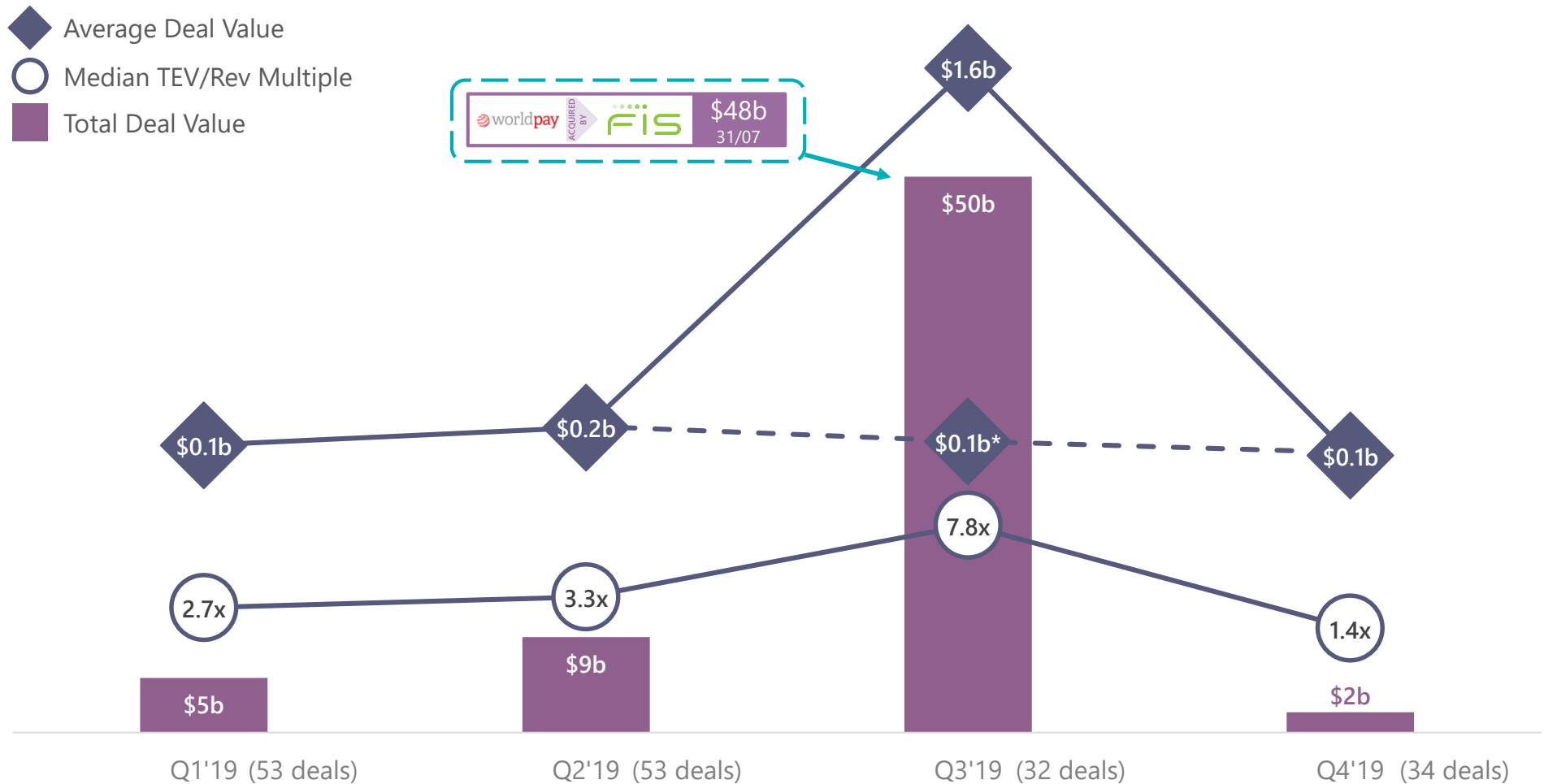
Significant increase in median forecast annual revenue growth for UK and Europe **has not been rewarded** with a material increase in revenue multiples

	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q4 2019					
Q3 2019					

Source: Capital IQ, Silverpeak

Note: Q4 2019 multiples are taken at 31/12/19, LTM

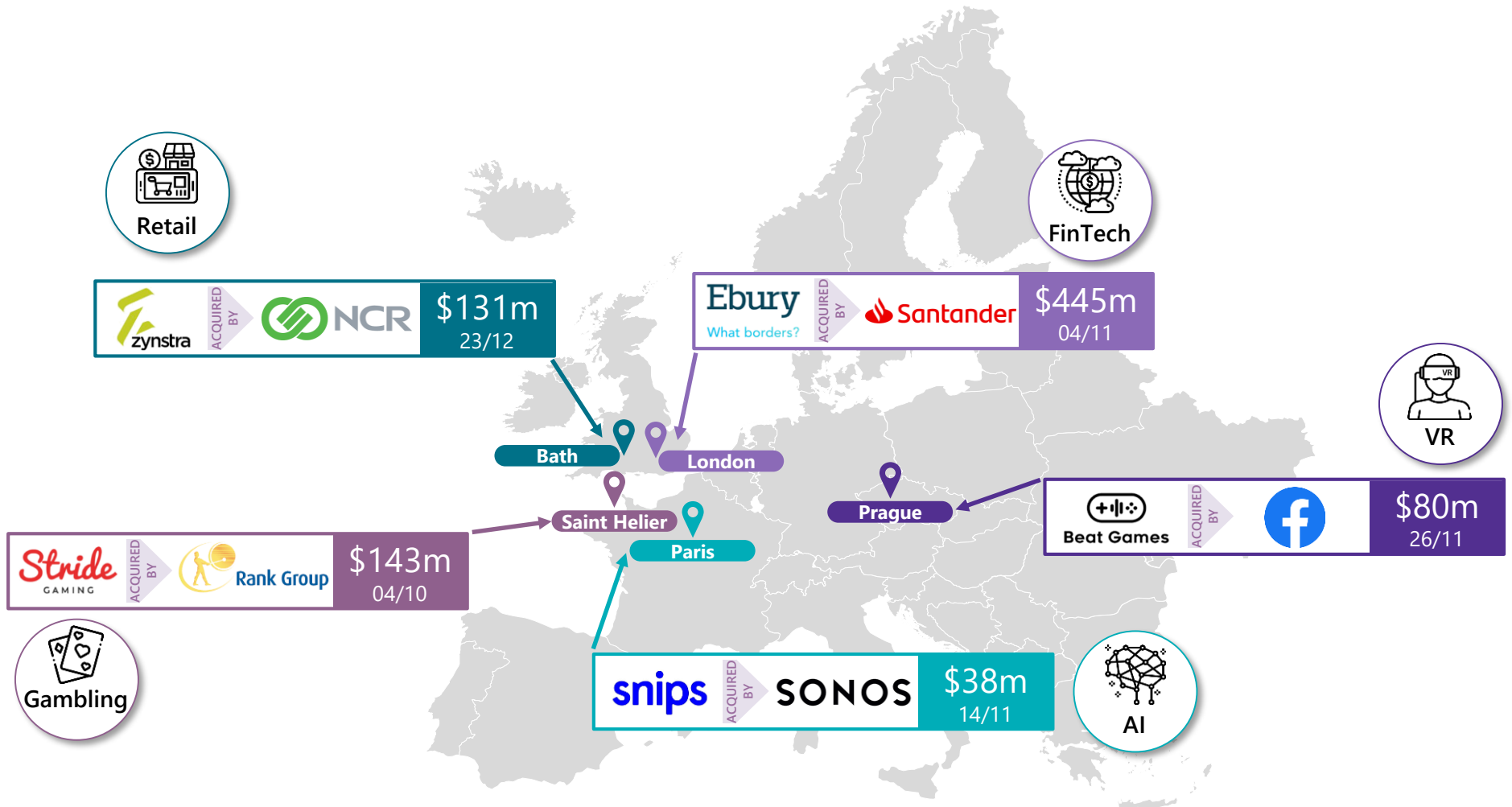
# European software M&A activity over the last 4 quarters



Source: Capital IQ, Silverpeak

Note: Not all deals disclose TEV/Rev multiples, \* represents average deal value without the \$48b Worldpay deal

# Selected software transactions in Q4 2019



Source: Capital IQ, Silverpeak

# 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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