

# Silverpeak Benchmark Report Q1 2020

*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

EU | US

**UNDISCLOSED**

Technology platform

Sale

A **FAANG**

December 2019

GB | US

**VIRTUAL CLARITY**

Cloud transformation consultancy

Sale

**DXC**.technology

November 2019

EU | EU

**UNDISCLOSED**

SaaS FinTech platform

Fundraise

\$150m

September 2019

FR | US

**sentryo**

M2M cybersecurity for the industrial internet

Sale

**CISCO**

August 2019

GB | GB | US

**oxbotica**

Autonomous vehicle software

Investment by

**PARKWALK**

**ipgroup** **AXA** **XL GROUP**

July 2019

GB | GB

**thoughtonomy**

Intelligent automation

Sale

**blueprismi**

July 2019

US | NL | BE

**CHOICE HOTELS** **Maxxton**

Hospitality ERP SaaS

Sale

**FORTINO** CAPITAL

June 2019

GB | GB

**LOOT**

Digital bank

Investment by

**RBS** **Bó**

December 2018

IT | NL

**GREEN BIT**

BIOMETRIC SYSTEMS

Fingerprint scanners & software

Sale

**gemalto** security to be free

December 2018

GB | IE

**dictate.it**

Clinical speech recognition services & software

Sale

**Clanwilliam** group

December 2018

# Key Takeaways

COVID-19 triggers a significant market decline

## 01

The unprecedented COVID-19 pandemic has resulted in a U-turn of last quarter's growing revenue multiples, which has also amplified the decline of EBITDA multiples across all categories. Europe, UK Small & Mid and US Vertical revenue multiples have all sunk to pre-2015 levels\*.

## 02

US Horizontal revenue multiples have fallen dramatically since their immense growth of 22% last quarter. But, for the first time since mid-2017, US Horizontal EBITDA multiples are now higher than US SaaS multiples, despite having a 3% lower median EBITDA margin.

## 03

US SaaS revenue multiples have crashed by 28%, to a similar level to Q2 2017, despite only a 1% decline in forecast revenue. In practice, most revenue guidance has been suspended. The multiples fall was amplified for EBITDA multiples, where they now lie at 23.7x, plummeting 40% since last quarter.

## 04

Proportionate falls in revenue multiples have been greatest in the US. However, reduction in forecast growth is greatest for UK Small & Mid and Europe, both reducing by 1/3 to c.10%.

# Report Summary

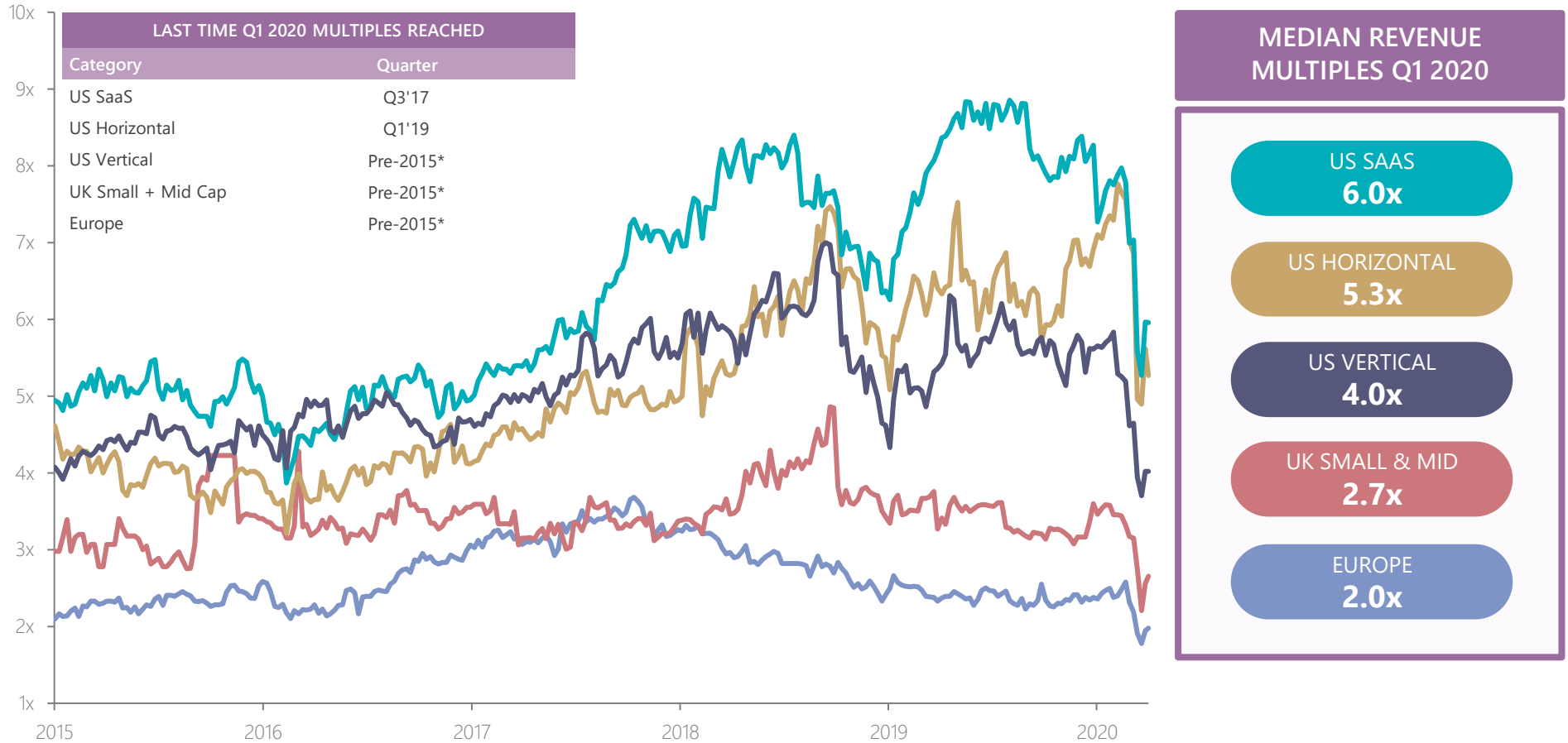
CATEGORY	MEDIAN REVENUE MULTIPLES*		COMMENTARY	
	Q4 2019	Q1 2020		
US SaaS	8.2x	-28% ▼	6.0x	<ul style="list-style-type: none"> <li>Revenue multiples plummeted 28% to their lowest levels since Q3 2017</li> <li>Median EBITDA margin and forecast annual revenue growth both fell by only 2% respectively</li> <li>US SaaS EBITDA multiples declined by 39% QOQ, the steepest fall out of all the categories</li> </ul>
US Vertical	5.7x	-29% ▼	4.0x	<ul style="list-style-type: none"> <li>US Vertical revenue multiples fell sharply by 29% to pre-2015 levels*</li> <li>Forecast annual revenue growth declined by only 1%, despite big falls in multiples</li> <li>Median EBITDA margin grew 1% QOQ, the only increase out of all the categories</li> </ul>
US Horizontal	6.9x	-24% ▼	5.3x	<ul style="list-style-type: none"> <li>Revenue multiples fell 24% to their lowest levels since Q1 2019</li> <li>EBITDA multiples fell 17% to 26x, the second smallest decline out of all the categories</li> <li>In contrast, US Horizontal experienced the greatest decline in QOQ EBITDA margin to 19%</li> </ul>
UK Small & Mid	3.4x	-22% ▼	2.7x	<ul style="list-style-type: none"> <li>Revenue multiples fell 22% to 2.7x, to pre-2015 levels*</li> <li>Median EBITDA margin has remained stable at 18% since the last quarter</li> <li>Median forecast annual revenue growth fell 5%, representing close to a 1/3 of its previous value</li> </ul>
Europe	2.4x	-17% ▼	2.0x	<ul style="list-style-type: none"> <li>Revenue multiples fell 17% to 2.0x, to pre-2015 levels*</li> <li>EBITDA multiples now equal Q2 2016 levels</li> <li>Median forecast annual revenue growth fell 4%, representing close to a 1/3 of its previous value</li> </ul>

Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. \* Data set begins in Q1 2015

# Median revenue multiples plummet, some to the lowest levels since 2014\*

Application software sector valuation metrics: median **revenue** multiples 2015-2020 Q1

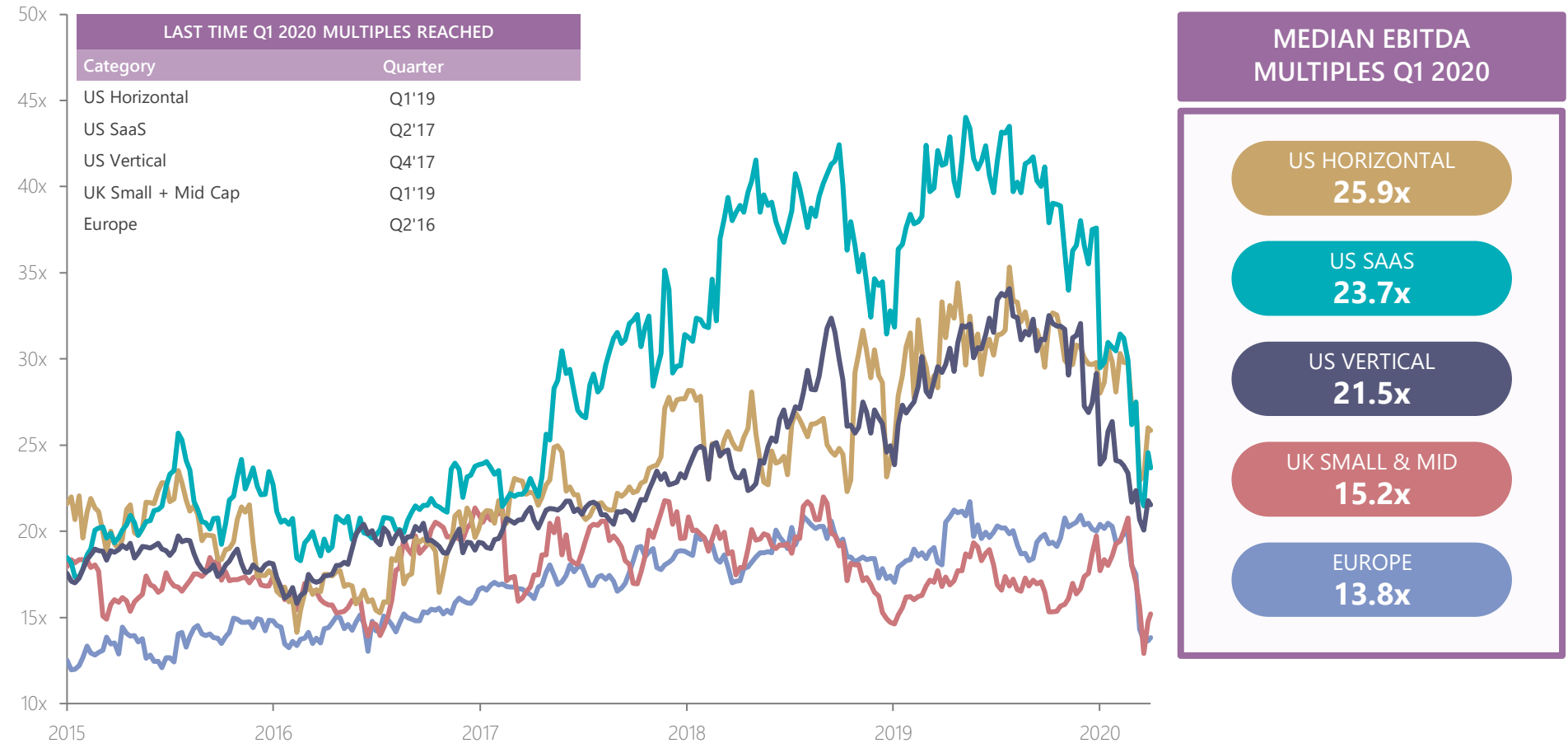


Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. \* Data set begins in Q1 2015

# US Horizontal multiples overtake US SaaS multiples in market correction

Application software sector valuation metrics: median **EBITDA** multiples 2015-2020 Q1



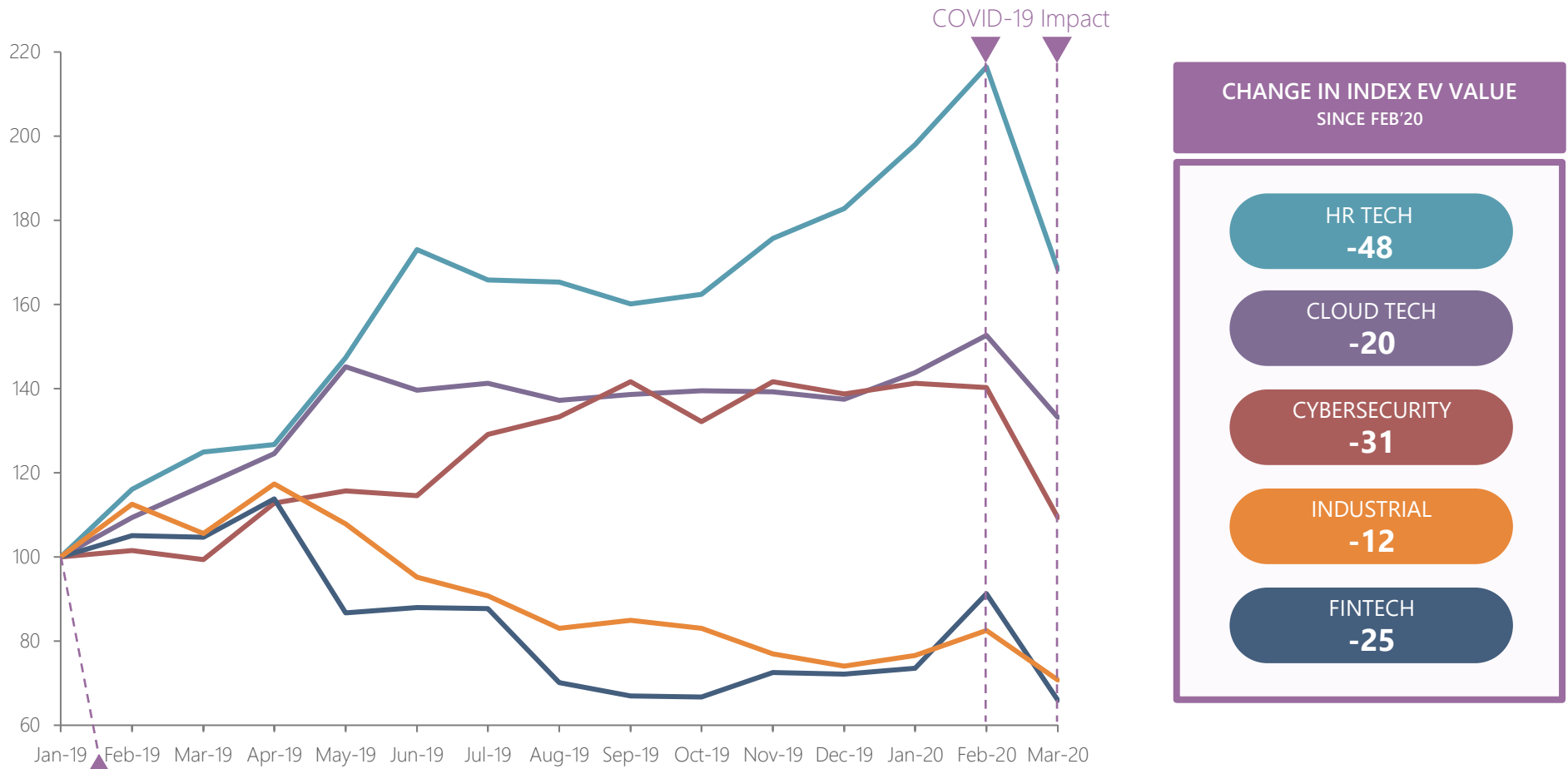
Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. \* Data set begins in Q1 2015



# COVID-19's impact on these larger software sub sectors is adverse and varied

Median monthly **Enterprise Value index**, by sub sector, 2019-2020 Q1



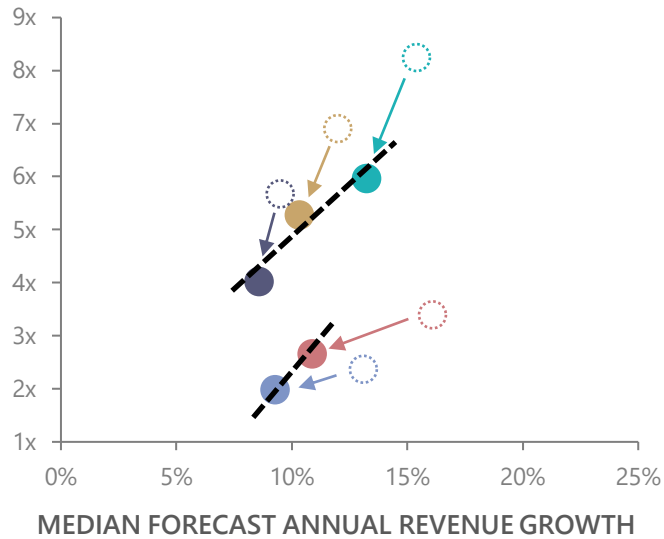
Rebased at Jan'19

Source: Capital IQ, Pitchbook, Silverpeak

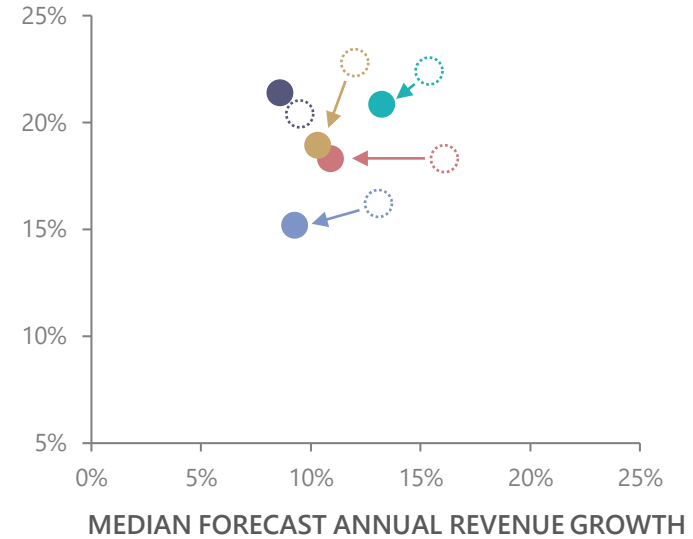
Methodology: Data points are a median of daily median EV values over a month

# Application software sector valuation metrics: summary

MEDIAN REVENUE MULTIPLE



MEDIAN EBITDA MARGIN



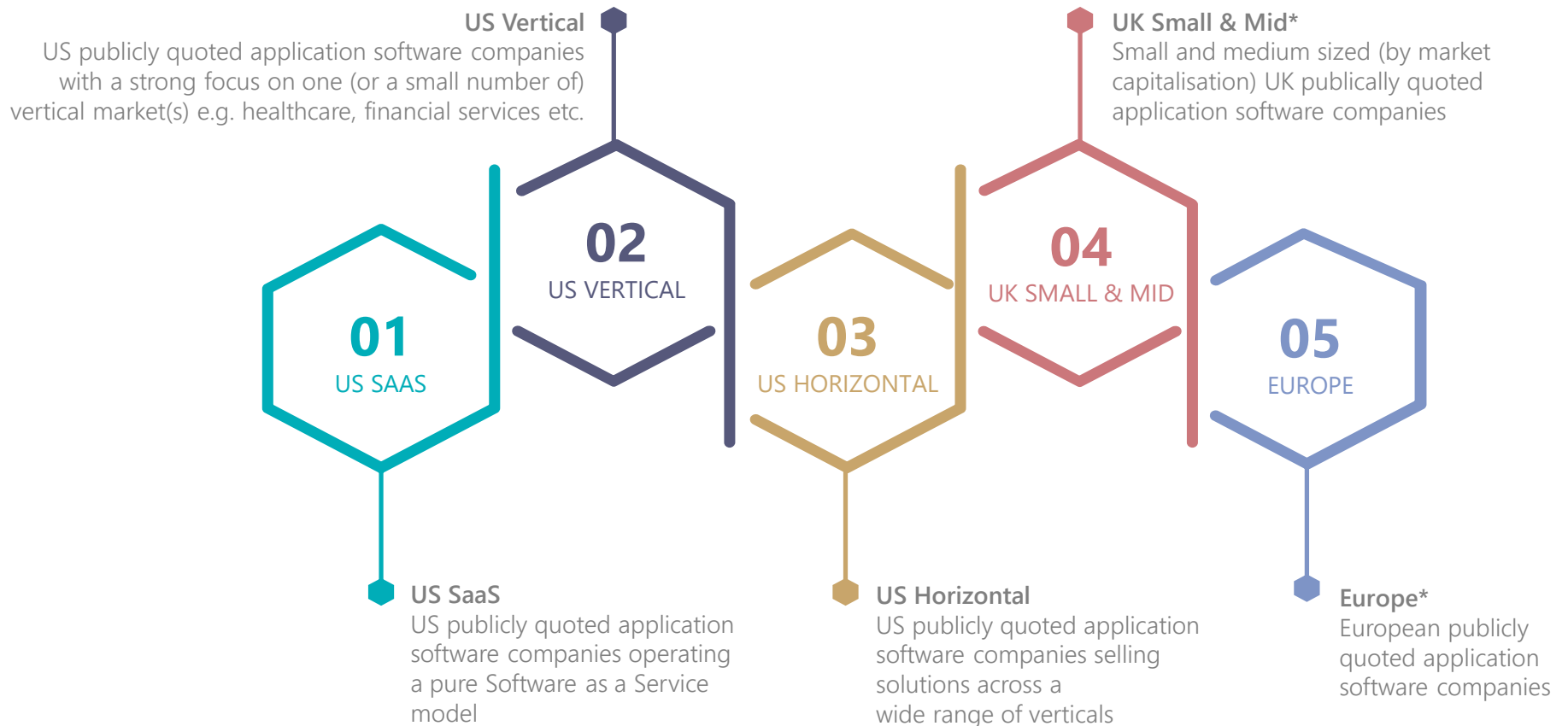
	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q1 2020					
Q4 2019					

Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM

# Company Categorisation – By Type

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



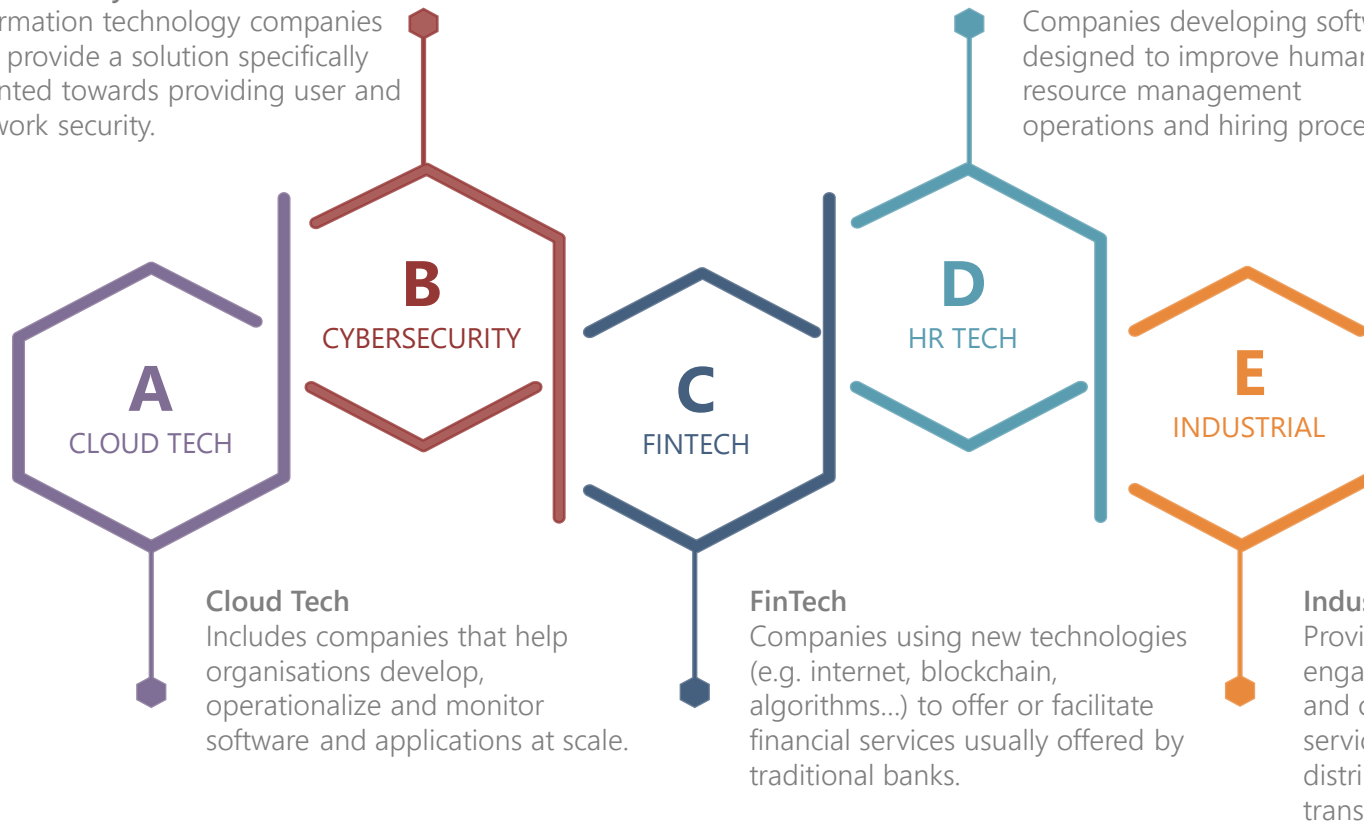
\*We've grouped UK and Europe companies in this manner because sample sizes do not permit a breakdown into horizontal vs vertical vs SaaS focused companies

# Company Categorisation – By Sub Sector

The data set was further categorised by the most common sub sectors

## Cybersecurity

Information technology companies that provide a solution specifically oriented towards providing user and network security.



## Cloud Tech

Includes companies that help organisations develop, operationalize and monitor software and applications at scale.

## HR Tech

Companies developing software designed to improve human resource management operations and hiring processes.

## FinTech

Companies using new technologies (e.g. internet, blockchain, algorithms...) to offer or facilitate financial services usually offered by traditional banks.

## Industrial

Providing software to companies engaged in providing industrial and commercial supplies and services, diversified trading, distribution operations, and transportation services.

Source: Capital IQ, Pitchbook, Silverpeak

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