

# Silverpeak Benchmark Report Q2 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

LT | JP | GB

Mobility-as-a-Service platform

Investment by

**STRATEGIC INVESTORS**

June 2020

EU | US

**UNDISCLOSED**

Technology platform

Sale

**A FAANG**

December 2019

GB | US

Cloud transformation consultancy

Sale

November 2019

EU | EU

**CONFIDENTIAL**

SaaS FinTech platform

Investment

\$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

SaaS Intelligent automation platform

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

Denotes Silverpeak transaction

# Key Takeaways

Bullish technology market catalyses strong recovery in multiples for US players

## 01

Both revenue & EBITDA multiples have bounced back significantly but comparing Q2 multiples to the 30-month average, only US Horizontal exceeds both revenue and EBITDA 30-month average, with US Vertical exceeding just the revenue multiple.

## 02

US Vertical revenue multiples rocket 54% to 6.2x, however still remains lower than US SaaS and US Horizontal which recovered at c.27%, similar to Europe. UK Small & Mid Cap experienced the slowest recovery, with revenue multiples gaining only 5.5% during Q2.

## 03






EBITDA multiples rise for all categories except UK Small & Mid Cap which still remain at Q4 2018 levels. US Horizontal EBITDA multiples are higher than US SaaS for only the second quarter since mid-2017. However, all EBITDA multiples remain lower Y.o.Y and there has been little change in the median EBITDA margin during Q2.

## 04

HR Tech subsector is the clear winner in our Enterprise Value growth index due to the new 'work from home and office' environment.

Median forecast annual revenue growth continued to contract for all categories, with UK Small & Mid Cap worst affected, reducing by a half to 5.9%.

# Report Summary

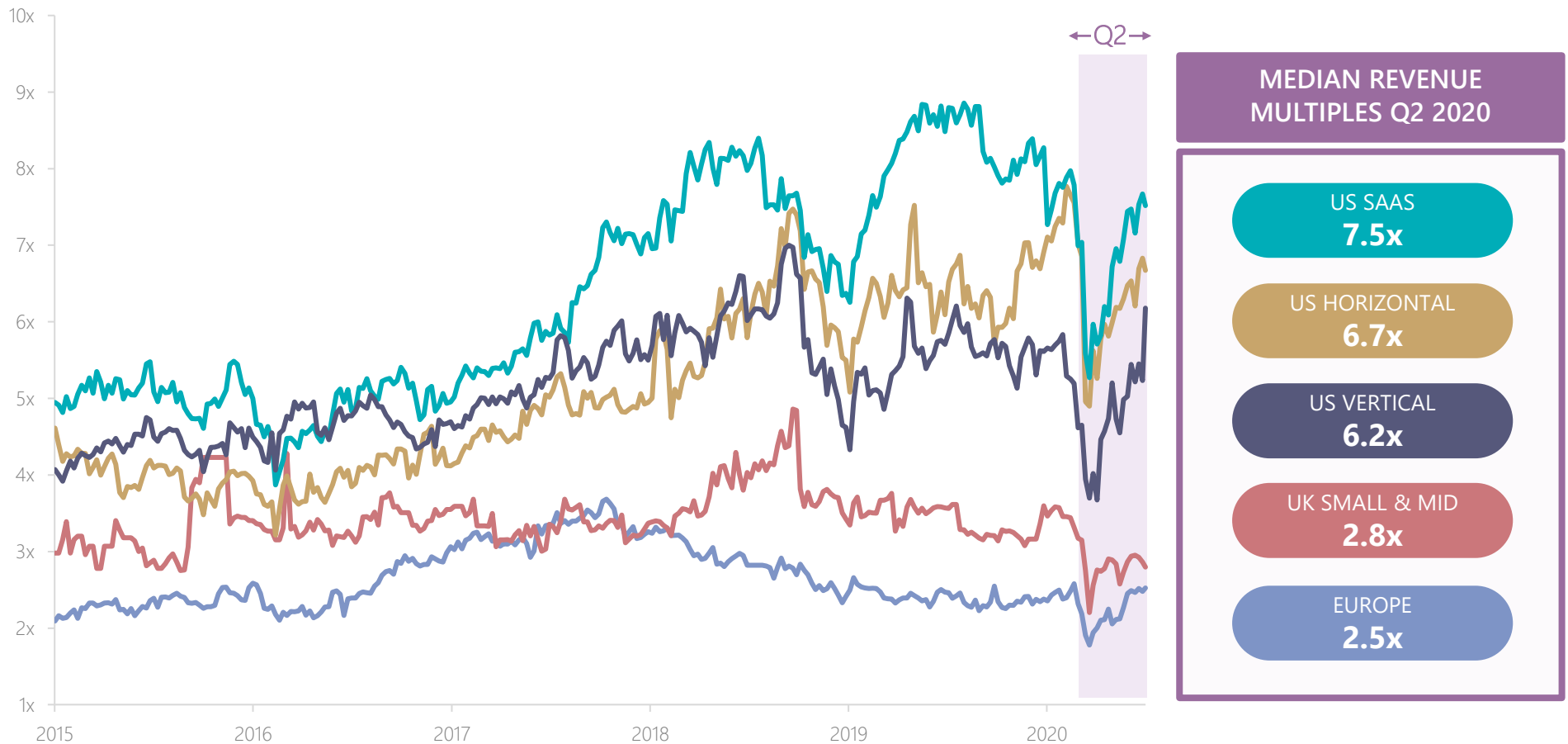
CATEGORY	MEDIAN REVENUE MULTIPLES <sup>(1)</sup>		COMMENTARY
	Q1 2020	Q2 2020	
US SaaS	6.0x	 +26.2% 7.5x	<ul style="list-style-type: none"> <li>Revenue multiples recovered 26% but still just below the 30-month average of 7.6x</li> <li>EBITDA multiples have risen 14% to 27x, 30% below the 30-month average</li> <li>US SaaS annual forecast revenue growth stands at 11%, a fall of 2% in Q2</li> </ul>
US Vertical	4.0x	 +53.7% 6.2x	<ul style="list-style-type: none"> <li>Revenue multiples had a 54% uplift, to exceed the 30-month average</li> <li>EBITDA multiples have risen 17%, however remained down 20% Y.o.Y</li> <li>Median EBITDA margin fell by 3%, the greatest decline out of all the categories</li> </ul>
US Horizontal	5.3x	 +26.6% 6.7x	<ul style="list-style-type: none"> <li>Revenue and EBITDA multiples uniquely both exceeded the 30-month average</li> <li>EBITDA multiples remained above US SaaS for the second quarter running</li> <li>Median EBITDA margin have risen to 25% after growing 6.3% this quarter</li> </ul>
UK Small & Mid	2.7x	 +5.5% 2.8x	<ul style="list-style-type: none"> <li>Revenue multiples experienced the smallest increase to 18% below the 30-month average</li> <li>The only category to experience a decline in Q2 EBITDA multiples</li> <li>Annual forecast revenue fell from 11% to 6%, the steepest decline out of all the categories</li> </ul>
Europe	2.0x	 +27.8% 2.5x	<ul style="list-style-type: none"> <li>Revenue multiples showed a positive 28% growth after plummeting to pre-2015 levels last quarter and on par with the 30-month average</li> <li>Median EBITDA margin remained stable at 15%</li> </ul>

Source: Capital IQ, SilverPeak

Note: (1) Q2 2020 multiples are taken at 30/06/20, LTM

# Median revenue multiples bounce back post Q1 fall

Application software sector valuation metrics: median **revenue** multiples 2015-2020 Q2



Source: Capital IQ, Silverpeak

Note: Q2 2020 multiples are taken at 30/06/20, LTM

# UK Small & Mid Cap and Europe EBITDA multiples fail to recover

Application software sector valuation metrics: median **EBITDA** multiples 2015-2020 Q2



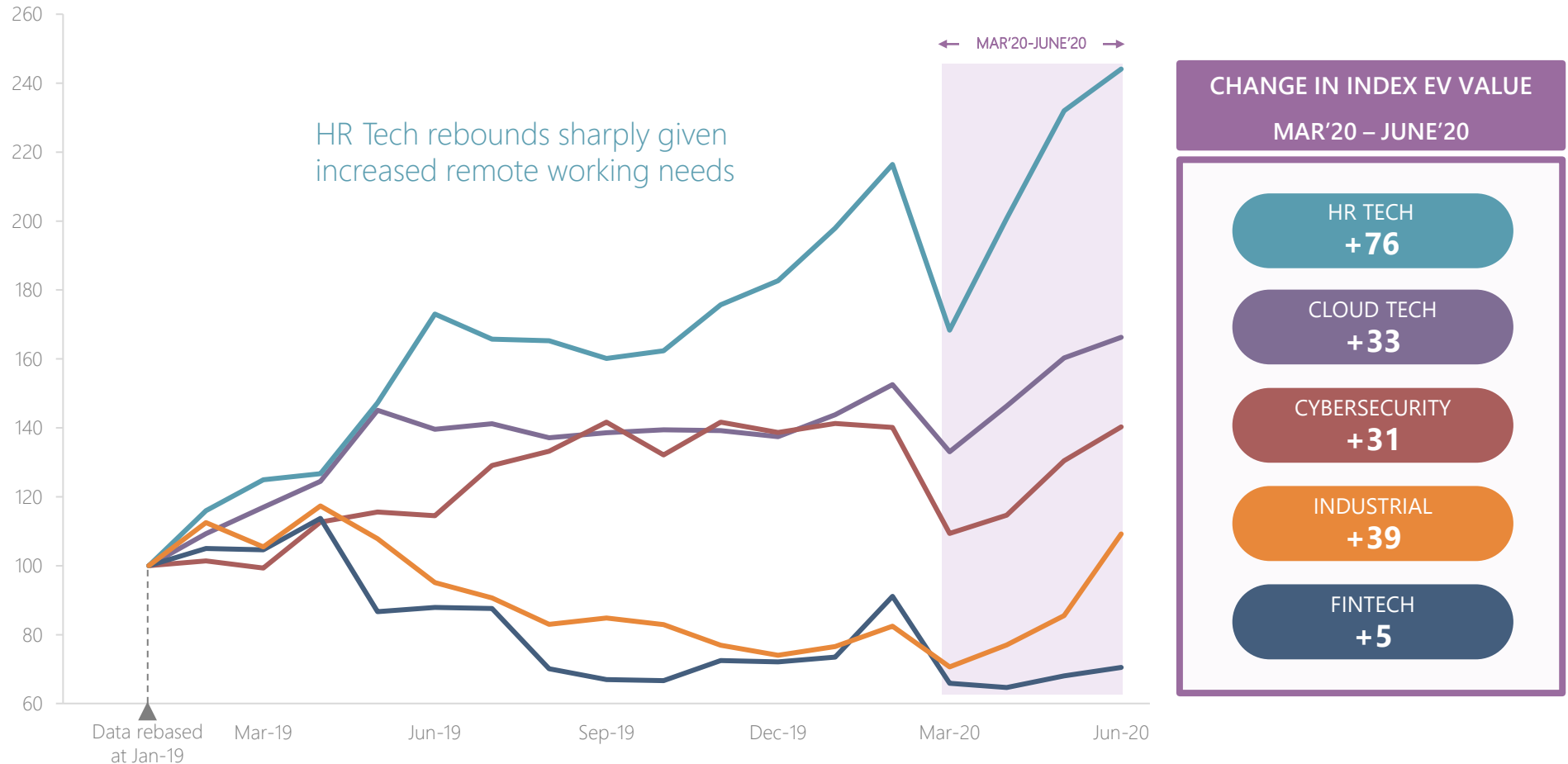
Source: Capital IQ, Silverpeak

Note: Q2 2020 multiples are taken at 30/06/20, LTM



# Enterprise Values demonstrate resilience after strong growth in Q2

Median monthly **Enterprise Value index**, by sub sector, 2019-2020 Q2

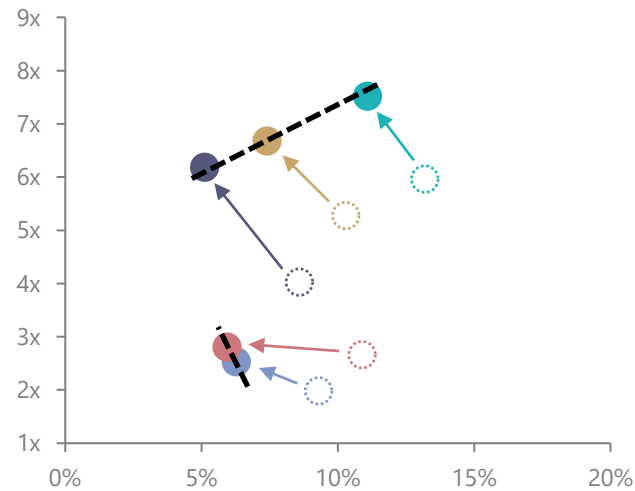


Source: Capital IQ, Pitchbook, Silverpeak

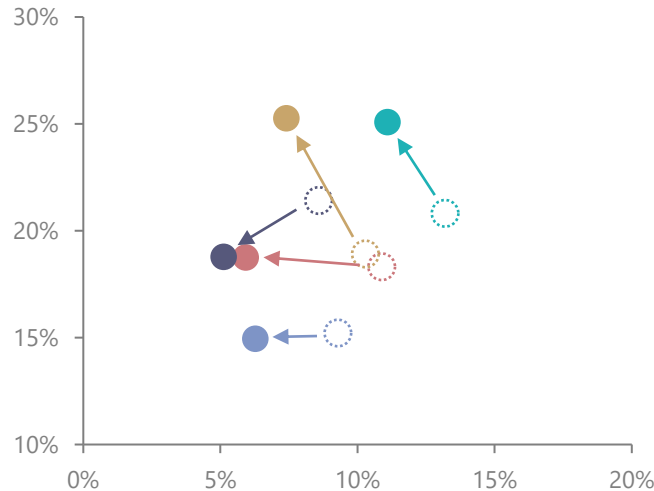
Methodology: Data points are a median of daily median EV values over a month.

# Quarterly change in operating metrics

MEDIAN REVENUE MULTIPLE



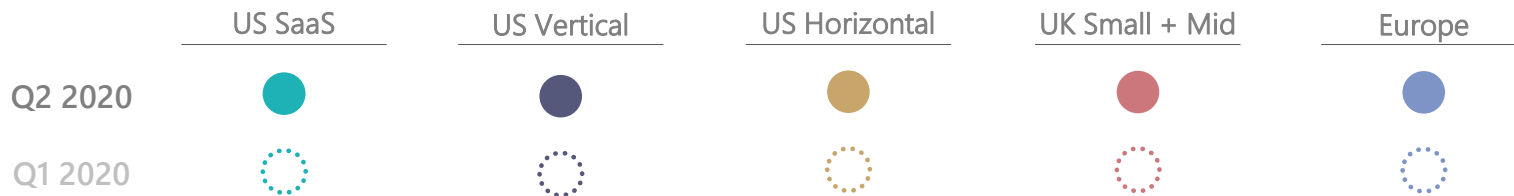
MEDIAN EBITDA MARGIN



Application software median revenue multiples have **climbed significantly in Q2**, however median annual forecast revenue growth **continues to contract**

MEDIAN FORECAST ANNUAL REVENUE GROWTH

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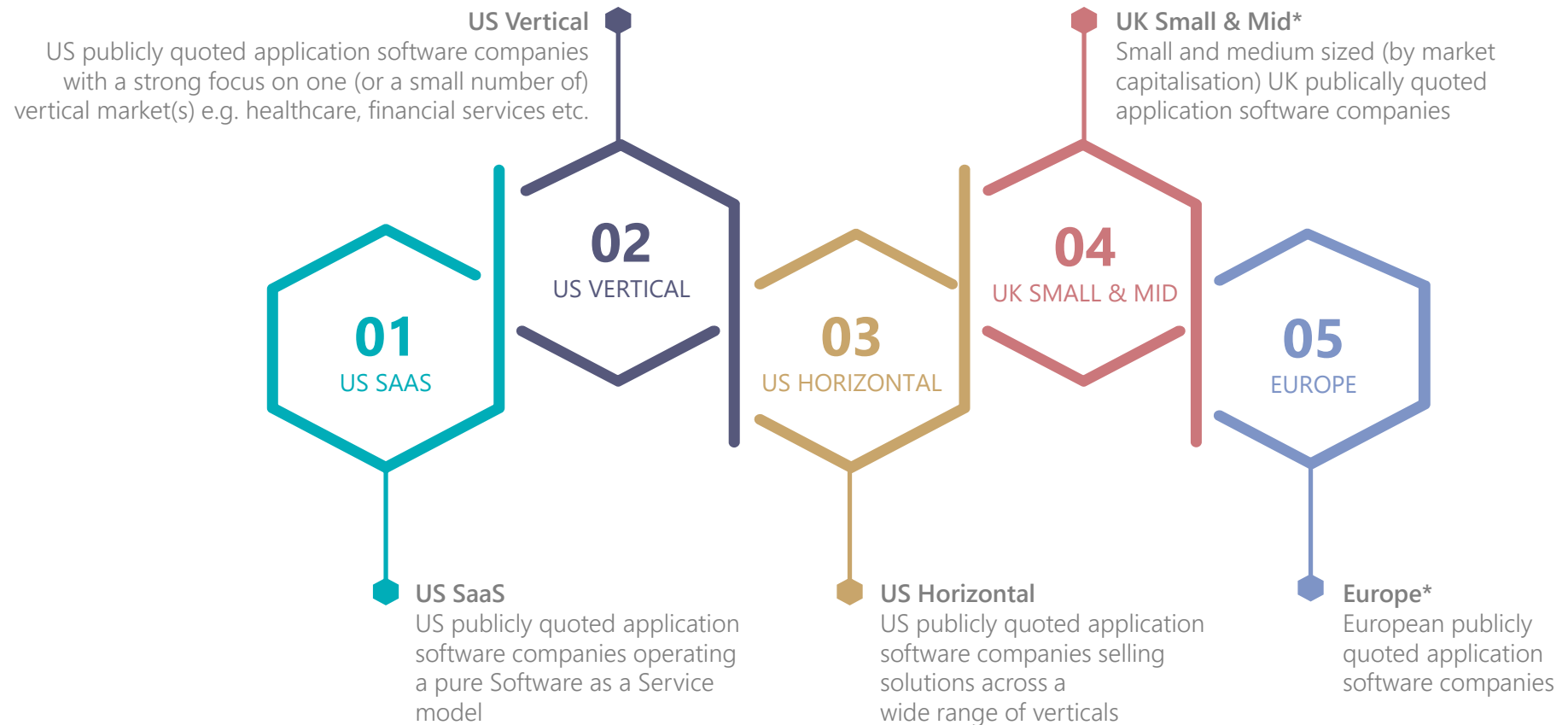


Source: Capital IQ, Silverpeak

Note: Q2 2020 multiples are taken at 30/06/20, 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

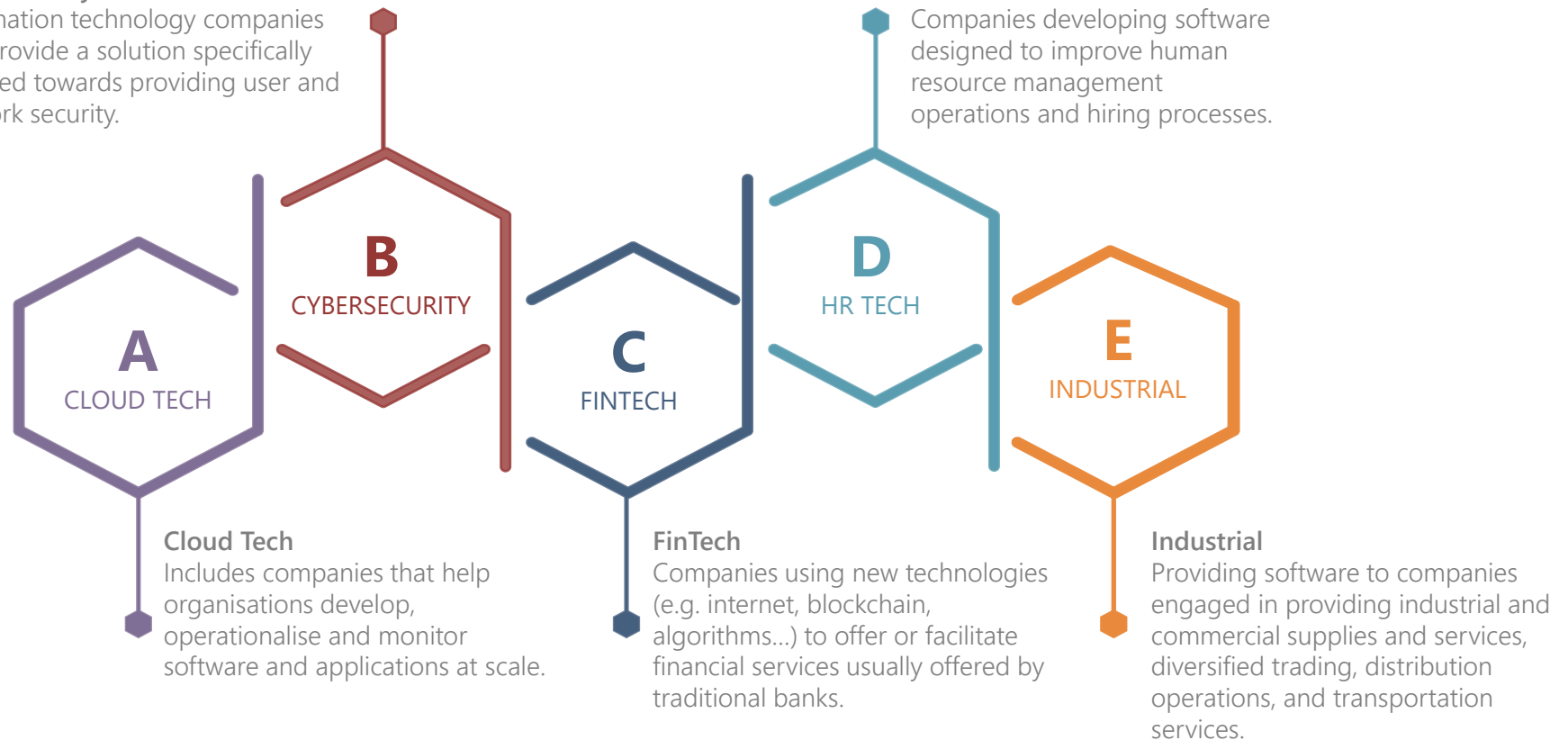
The data set was further categorised by the most common sub sectors

## Cybersecurity

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

## HR Tech

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



Source: Capital IQ, Pitchbook, Silverpeak

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Thank you from Silverpeak