

Silverpeak Benchmark Report Q3 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

01 // SELECTED RECENT TRANSACTIONS

GB | US

Fibre broadband network operator

£100m investment by

September 2020

PT | US

Technology venture capital

Continuation fund, including:

Low-code SaaS leader

September 2020

GB | EU

Video compression solutions

Investment by

FAMILY OFFICES & HNW INVESTORS

July 2020

LT | JP | GB

Mobility-as-a-Service platform

Investment by

MS&AD Aioi Nissay Dowa
Sumitomo
European Bank for Reconstruction and Development
octopus investments

June 2020

ES | US

Game streaming platform

Sale

FACEBOOK

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

ipgroup PARKWALK
AXA XL GROUP

July 2019

GB | GB

SaaS Intelligent automation platform

Sale

July 2019

Denotes Silverpeak transaction

Key Takeaways

Revenue multiples reach record highs in the US but are slow to recover in the UK

01

US application software median revenue multiples charted new all-time highs in Q3'20 with median forecast revenue growth remaining stable.

In contrast UK Small & Mid revenue multiples, which are now below Europe, are still down 40% Y.o.Y., while its median forecast annual revenue growth saw a significant decrease of two thirds to 1.7%.

02

European revenue and EBITDA multiples look to have both recovered strongly in Q3. There was an uplift of 31% in the median EBITDA multiple in Europe to 20x, exceeding the 24-month average. Europe also showed the largest relative increase in median forecast revenue growth increasing to 7.5%.






03

EBITDA multiples have increased to levels above the 24-month average for US Horizontal, Europe and UK Small & Mid. US SaaS and US Vertical EBITDA multiples are well below their peak, but were constant Q.o.Q. The median EBITDA margin has not changed significantly in Q3 for any category.

04

HR Tech continues to outperform other sub-sectors in our Enterprise Value growth index. Other sub-sectors remained stable across the quarter, but median values showed signs of a downward trend in September.

Report Summary

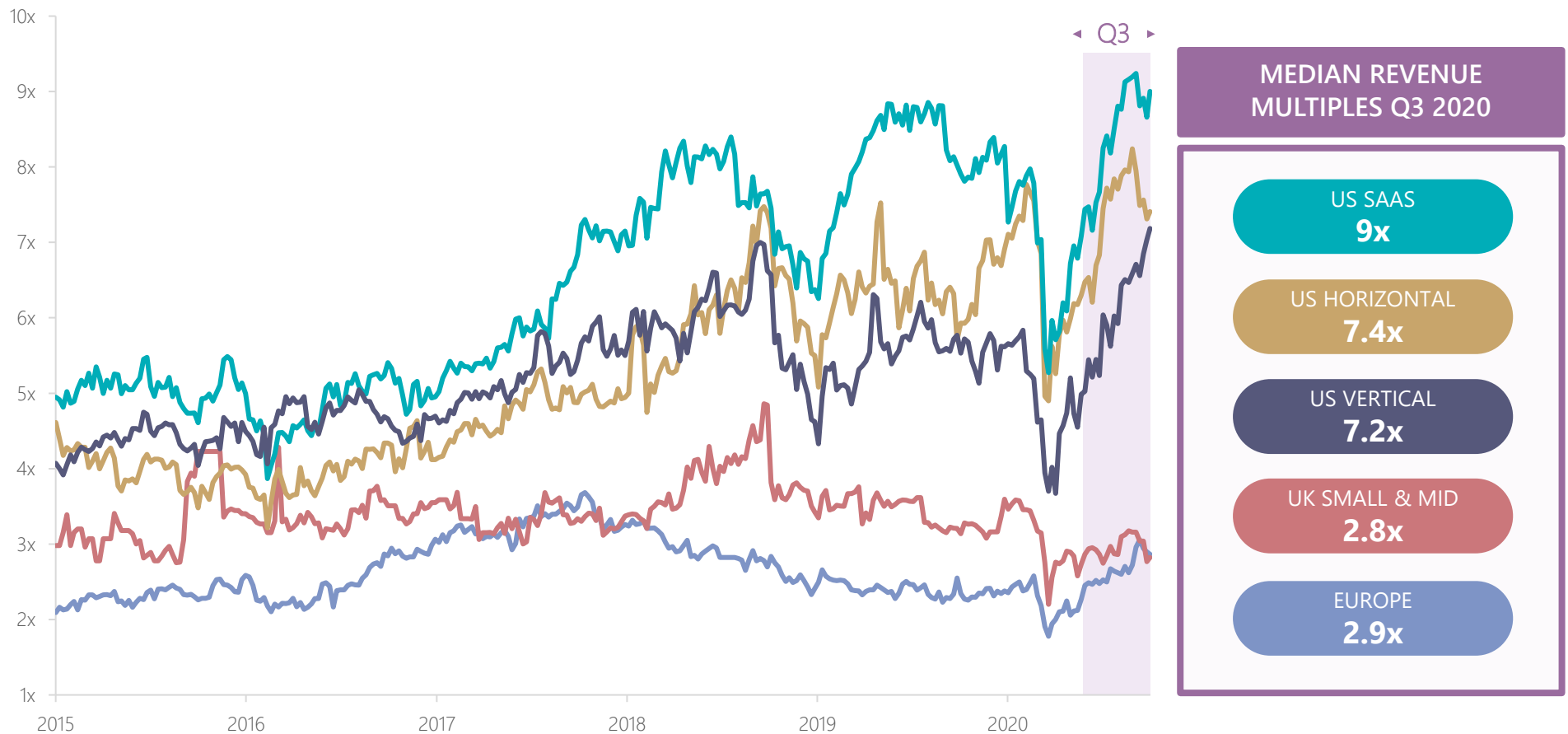
CATEGORY	MEDIAN REVENUE MULTIPLES ⁽¹⁾		COMMENTARY	
	Q2 2020	Q3 2020		
US SaaS	7.5x	 +19.8%	9.0x	<ul style="list-style-type: none"> US SaaS revenue multiples peaked at an all-time high in Q3 with a 20% increase Q.o.Q EBITDA multiples have risen 17% to 31x, but remain below the 24-month average Annual forecast revenue growth stands at 11%, with no change from Q2
US Vertical	6.2x	 +16.3%	7.2x	<ul style="list-style-type: none"> Revenue multiples rose by 16%, ending the quarter at the highest level on record EBITDA multiples remain unchanged from Q2, down 20% Y.o.Y Annual forecast revenue growth was the lowest of all US categories at 5%
US Horizontal	6.7x	 +11.1%	7.4x	<ul style="list-style-type: none"> US Horizontal revenue and EBITDA multiples mirrored the trend of US Vertical, with strong revenue multiples growth of 11% but no change in EBITDA multiples Median EBITDA margin and forecast revenue growth have changed minimally from Q2
UK Small & Mid	2.8x	 +0.9%	2.8x	<ul style="list-style-type: none"> Revenue multiples increased by the least of all categories and remained down 40% Y.o.Y EBITDA multiples had a 27% uplift to 19x, and are now above the 24-month average Annual forecast revenue growth fell from 6% to 2%, the largest fall out of all categories
Europe	2.5x	 +13.6%	2.9x	<ul style="list-style-type: none"> Revenue multiples continued to recover, increasing to 3x with 14% growth in Q3 European EBITDA multiples grew by the most of any category at 31% up to 20x Median EBITDA margin also increased to 18%, a 20% relative increase from last quarter

Source: Capital IQ, Silverpeak

Note: (1) Q3 2020 multiples are taken at 30/09/20, LTM

Median revenue multiples continue to recover strongly in the US

Application software sector valuation metrics: median **revenue** multiples 2015-2020 Q3

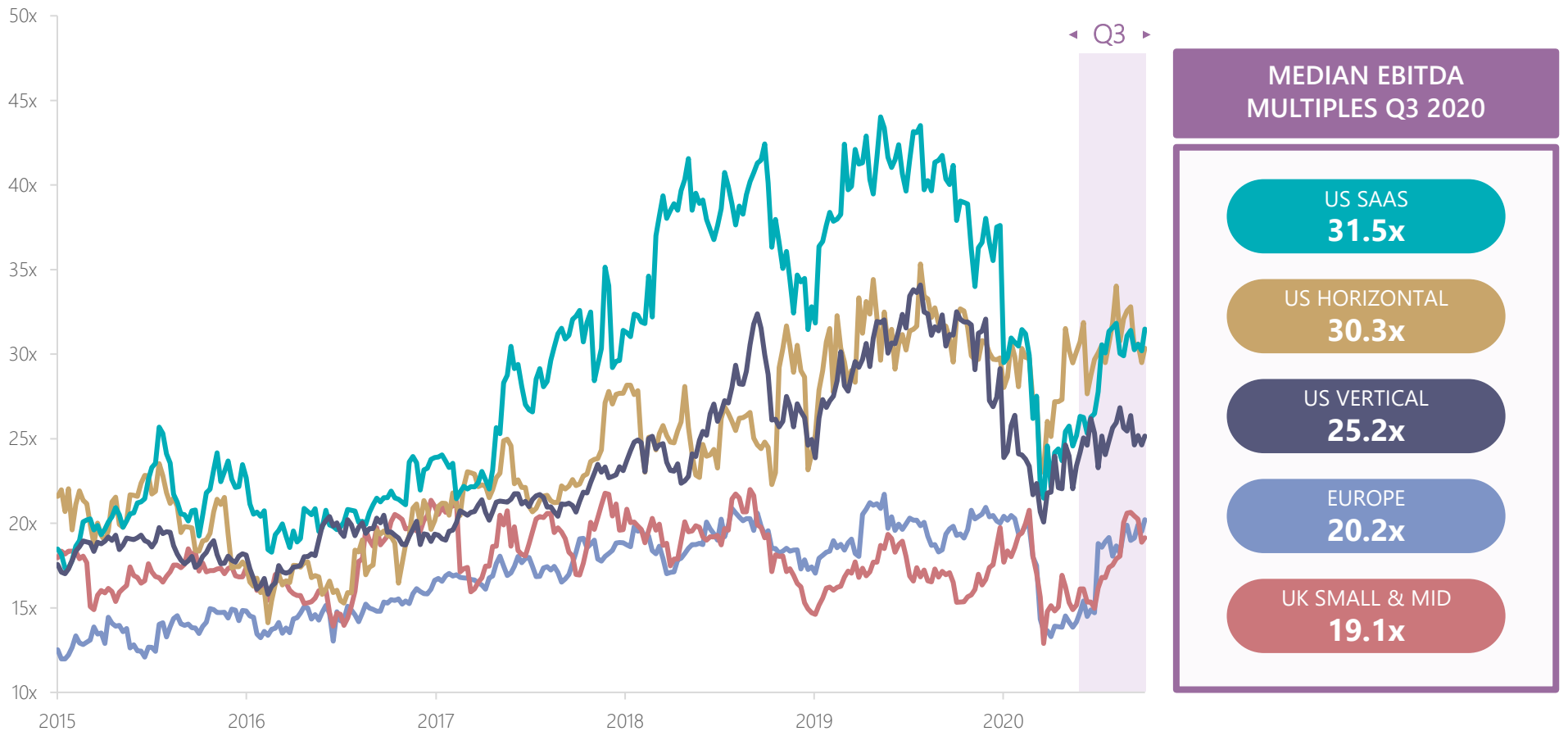


Source: Capital IQ, Silverpeak

Note: Q3 2020 multiples are taken at 30/09/20, LTM

UK Small & Mid Cap and Europe EBITDA multiples recovered significantly

Application software sector valuation metrics: median **EBITDA** multiples 2015-2020 Q3

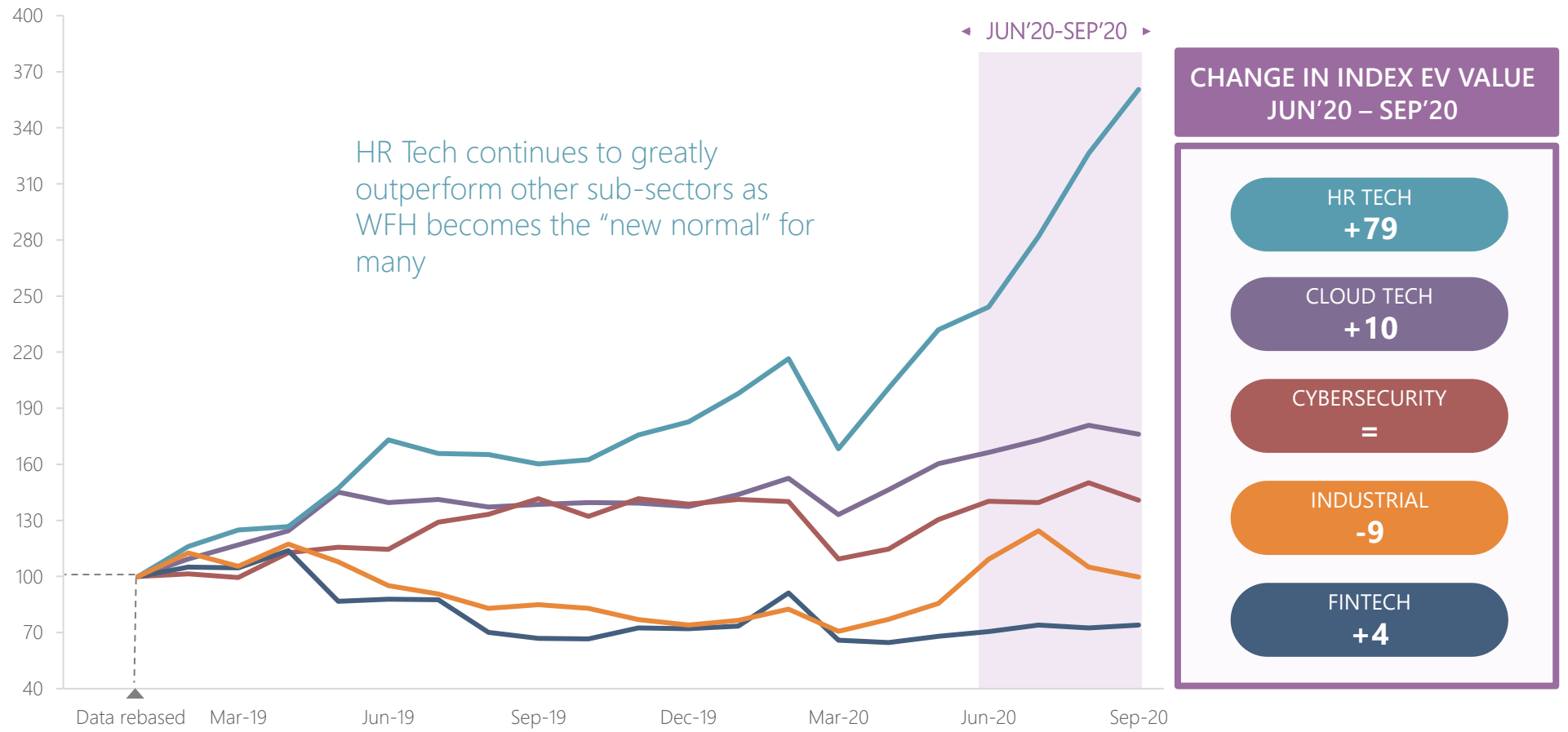


Source: Capital IQ, Silverpeak

Note: Q3 2020 multiples are taken at 30/09/20, LTM

Enterprise Values show signs of a downward trend at the end of Q3

Median monthly **Enterprise Value index**, by sub sector, 2019-2020 Q3

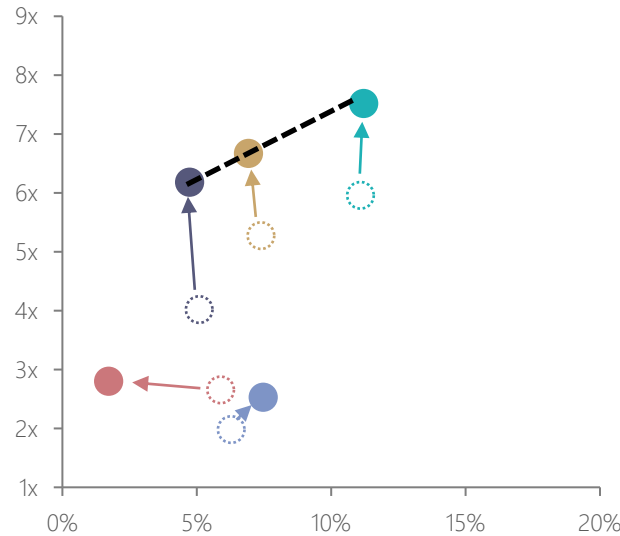


Source: Capital IQ, Pitchbook, Silverpeak

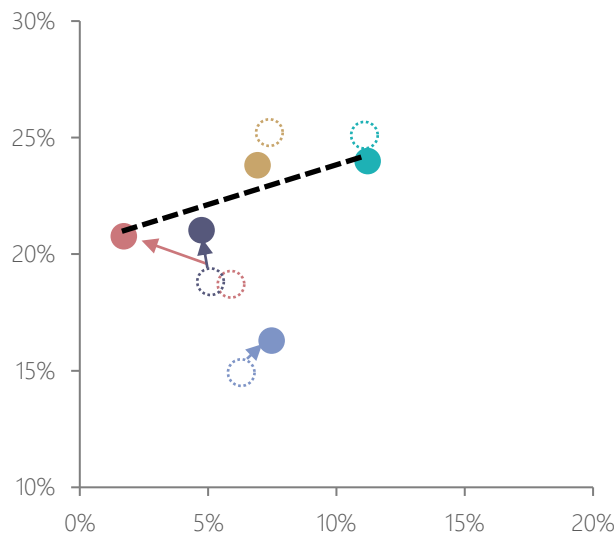
Methodology: Data points are a median of daily median EV values over a month.

Quarterly change in operating metrics

MEDIAN REVENUE MULTIPLE



MEDIAN EBITDA MARGIN



Application software median revenue multiples have **continued to increase** in Q3

Median annual forecast revenue growth **remains stable** in Q3 outside of UK Small & Mid Cap

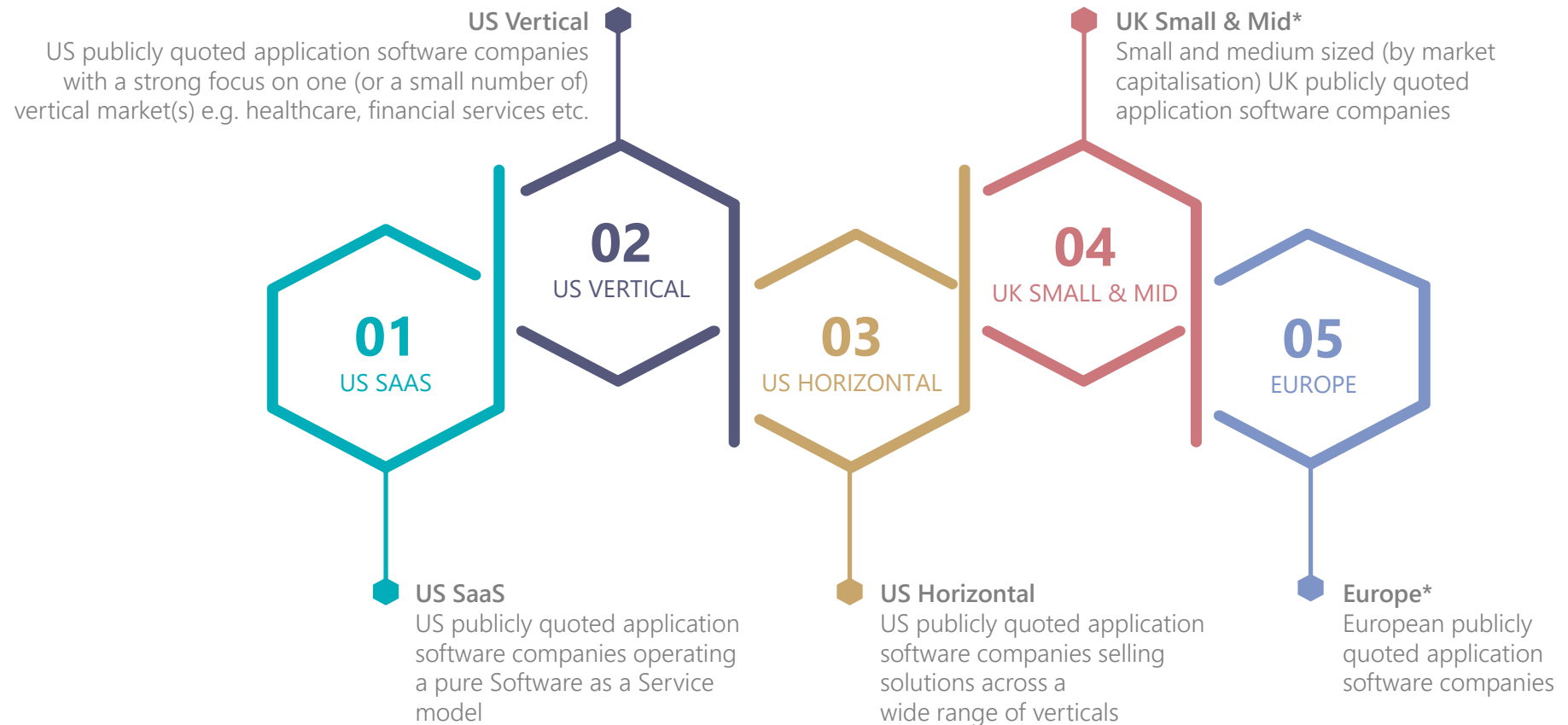
	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q3 2020	●	●	●	●	●
Q2 2020	○	○	○	○	○

Source: Capital IQ, Silverpeak

Note: Q3 2020 multiples are taken at 30/09/20, 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

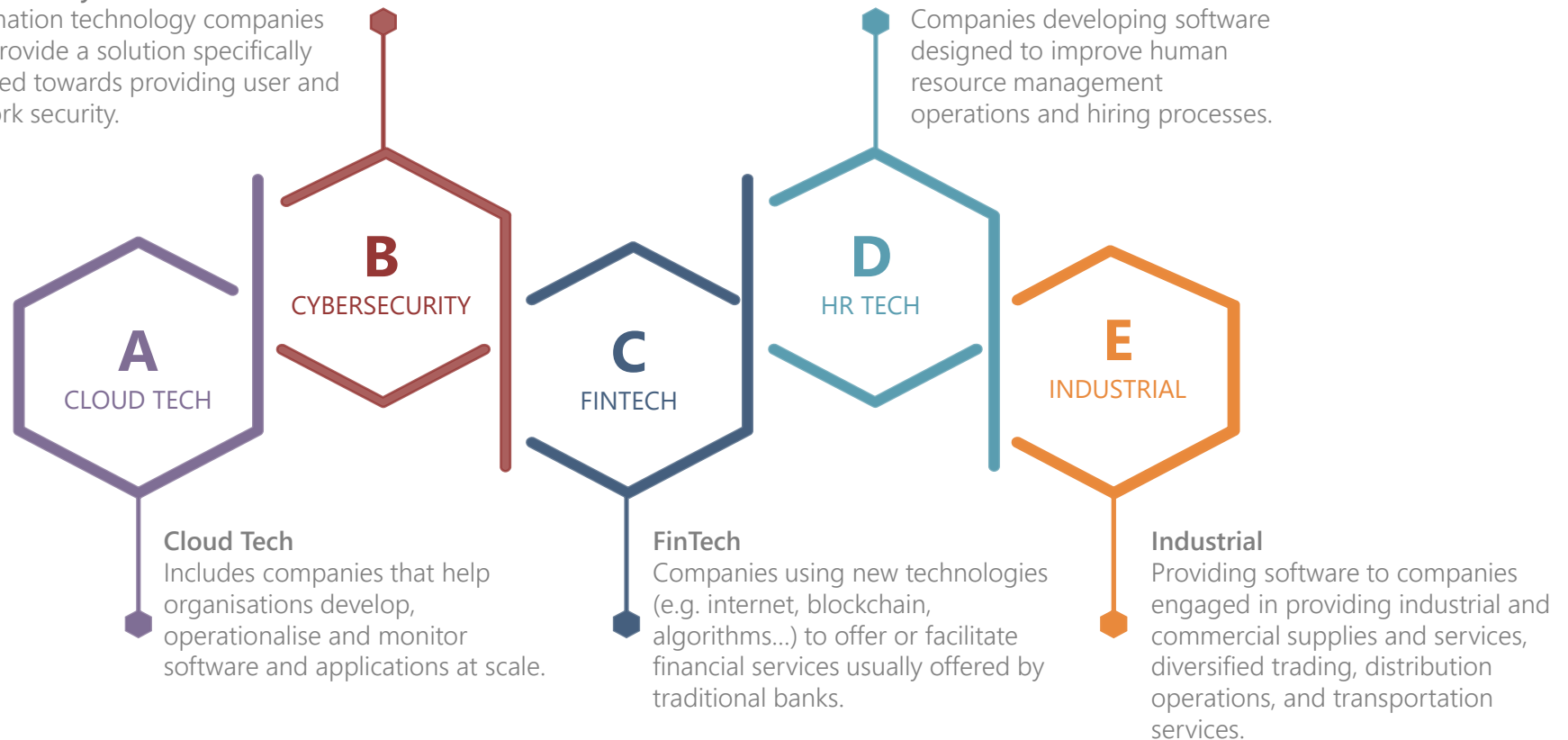
The data set was further categorised by the most common sub sectors

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