

Silverpeak Benchmark Report Q3 2021

*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 larger financing transactions



European clients – **Global** counterparties


Silverpeak closed 5 software transactions in 6 months reinforcing our deep experience in the software sector


GB



SaaS data extraction & document automation

Sale to



October 2021 

NO | CA



Project management and risk analysis software

Sale to



September 2021 

NL | US



Application testing software

Majority sale to



September 2021 

GB | GB



POWER OVER ENERGY


Trading and automation SaaS for renewable energy

£20m investment led by




June 2021 

GB | SE



Construction workforce management platform & SaaS

Sale to



April 2021 

GB



SaaS data extraction &
document automation

Sale to



October 2021



“

Silverpeak spent the time to understand the goals of the shareholders and created an **excellent Company overview** with **detailed numerical analysis**. The team at Silverpeak took control of the whole process and without their **diligence, tenacity and attention to detail** I have doubts whether it would have actually happened. It was really encouraging and exciting to have an **experienced team** working on our side, **fully aligned with our objectives**.

”



DAVID COCKS
CEO, CLOUDTRADE

NO | CA

 SafranProject management and
risk analysis software

Sale to

 JDM Technology
Group

September 2021



“

Safran worked with Silverpeak over an extended period and through the pandemic and got to a **good financial** and **strategic result** for the company and its owners. Through the process we were very pleased with Silverpeak's **work quality** and **ethics** with regards to materiel production, buyer universe definition, negotiations and process management

”



PER ARNE JENSEN
CHIARMAN, SAFRAN SOFTWARE SOLUTIONS

NL | US



Application testing software

Majority sale to



September 2021



“

Silverpeak engaged with us in a process that was **highly collaborative**. They helped us find the right investment partner for Login VSI at this stage of our growth. Their team and process were **transparent and insightful**.

”



ERIC-JAN VAN LEEUWEN
CEO, LOGIN VSI

Key Takeaways

Overall valuation multiples have been trending upwards in Q3, with UK and European companies showing the greatest Y.o.Y growth

01

Although revenue multiples of US software companies continue to be higher than the rest, Small & Mid Cap UK and European companies have shown much greater Y.o.Y growth.

EBITDA multiples for the UK and European categories reached new maximums, greater than pre-covid levels, with UK Small & Mid increasing by 103% since Q3 2019.

02

There has been an overall increase in revenue multiples this quarter with the exception of US Vertical which reached a peak of 10.6x at the start of September and fell substantially by the end of Q3.

Median forecasted annual revenue growth continues to increase across all categories, with US SAAS predicted the largest growth in the next 12 months.

03

EBITDA multiples for UK and European software companies continue to rapidly increase and outperform the US companies on Y.o.Y growth. European software multiples increased by 11% Q.o.Q reaching US Vertical levels for the first time since 2016.






Median EBITDA margins remain fairly stable this quarter, with an average change of 0.5%.

04

Even though HR tech continues to have a significantly higher median enterprise index value than the other verticals, the median EV has fallen by 5% in Q3.

Fintech is the only vertical to have risen this quarter and reached a new maximum median enterprise value in September.

Report Summary

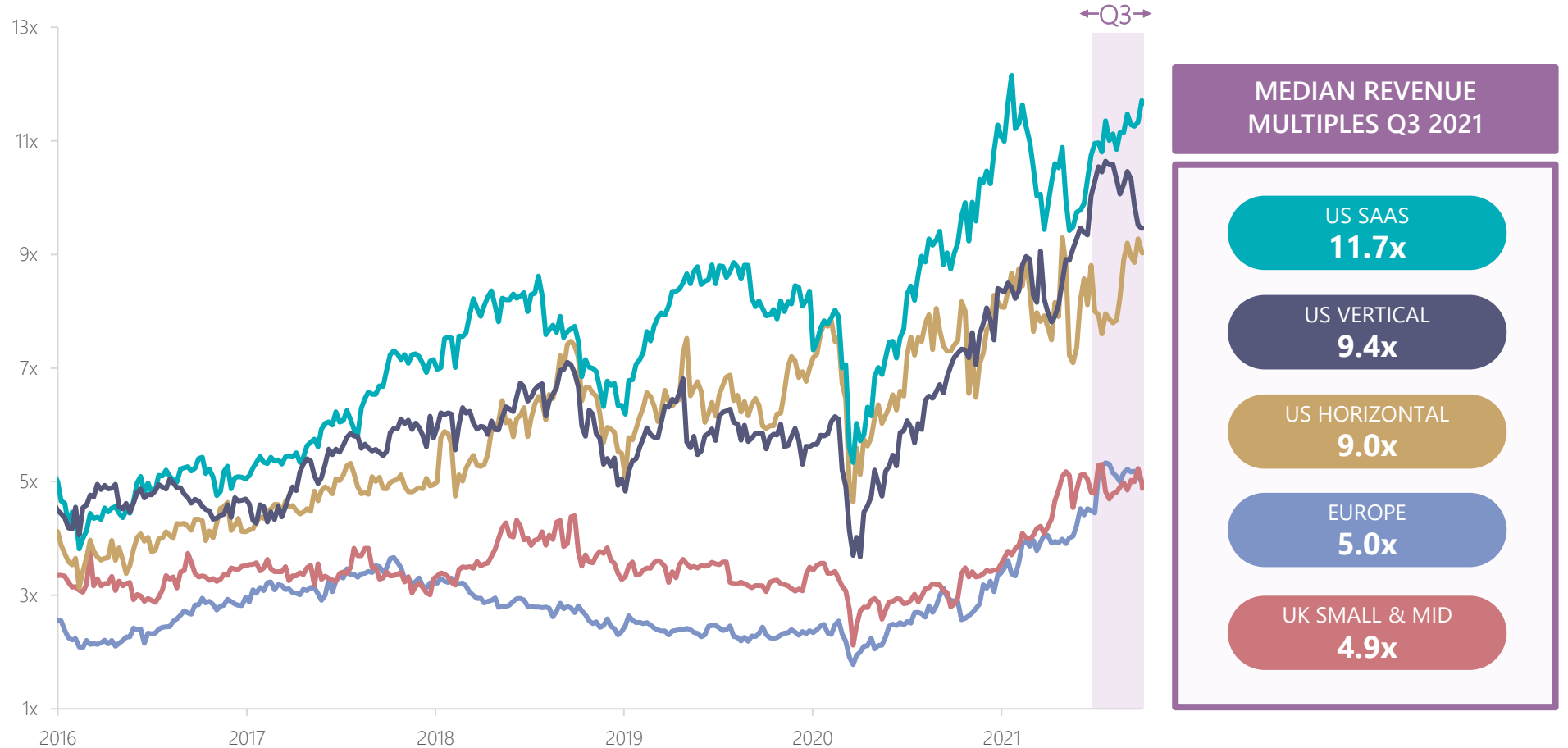
CATEGORY	MEDIAN REVENUE MULTIPLES ⁽¹⁾			COMMENTARY
	Q2 2021		Q3 2021	
US SaaS	10.8x	 +8.2%	11.7x	<ul style="list-style-type: none"> US SaaS revenue multiples continue to progressively rise, an 18% increase since Q1 Median EBITDA multiples increased 6.2% this quarter The forecast revenue growth remained stable (increasing from 20% in Q2 to 21% in Q3)
US Vertical	9.9x	 -5.0%	9.4x	<ul style="list-style-type: none"> US Vertical revenue multiples decreased by 5%, the only category to undergo a downfall EBITDA multiples also fell by 4.6%, reaching European levels However, median annual revenue growth still rose from 13% in Q2 to 14% in Q3
US Horizontal	7.8x	 +15.7%	9.0x	<ul style="list-style-type: none"> US Horizontal revenue multiples increased by 15.7%, the most out of all categories EBITDA multiples fell 9.8% and the median EBITDA margin decreased by 0.8% The forecast revenue annual growth remained 16%; a consistent Y.o.Y increase in revenue
UK Small & Mid	4.8x	 +1.9%	4.9x	<ul style="list-style-type: none"> Revenue multiples remained stable and only increased by 1.9% since the end of Q2 EBITDA multiples reached a new peak of 35x and increased by 4.1% Q.o.Q Annual forecast revenue increased by more than 50%, from 5.9% in Q2 to 9.0%
Europe	4.4x	 +13.6%	5.0x	<ul style="list-style-type: none"> Constant rise in European revenue multiples, showing the greatest Y.o.Y growth of all categories EBITDA multiples continue to increase and briefly surpassed US Vertical at the end of August Both median forecast revenue growth and median EBITDA margins remained constant

Source: Capital IQ, Silverpeak

Note: ⁽¹⁾Q3 2021 multiples are taken at 30/09/21, LTM

US Vertical is the only category whose revenue multiples fell in Q3

Application software sector valuation metrics: median **Revenue** multiples 2016-2021 Q3

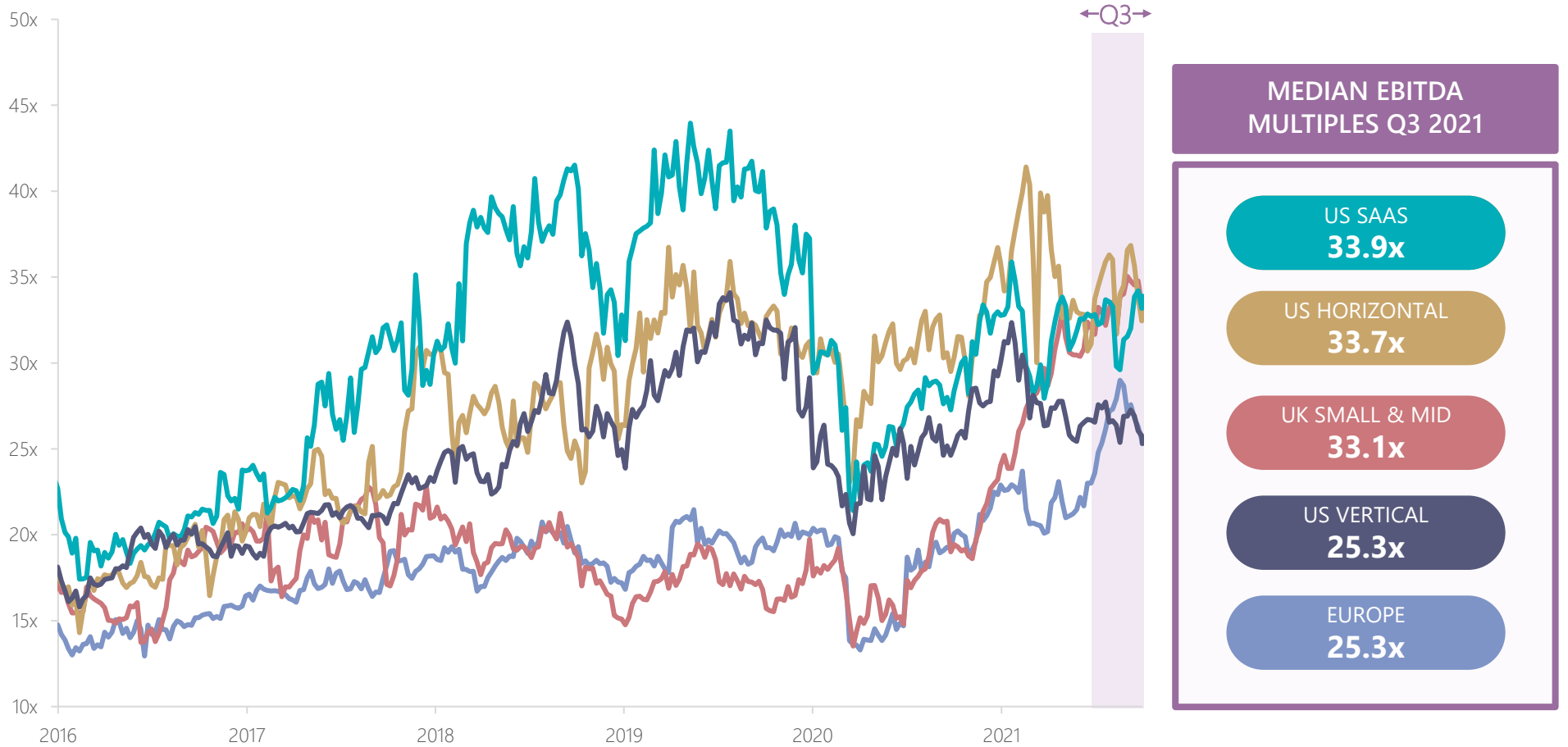


Source: Capital IQ, Silverpeak

Note: Q3 2021 multiples are taken at 30/09/21, LTM

European multiples surpass US Vertical for the first time since 2016

Application software sector valuation metrics: median **EBITDA** multiples 2016-2021 Q3

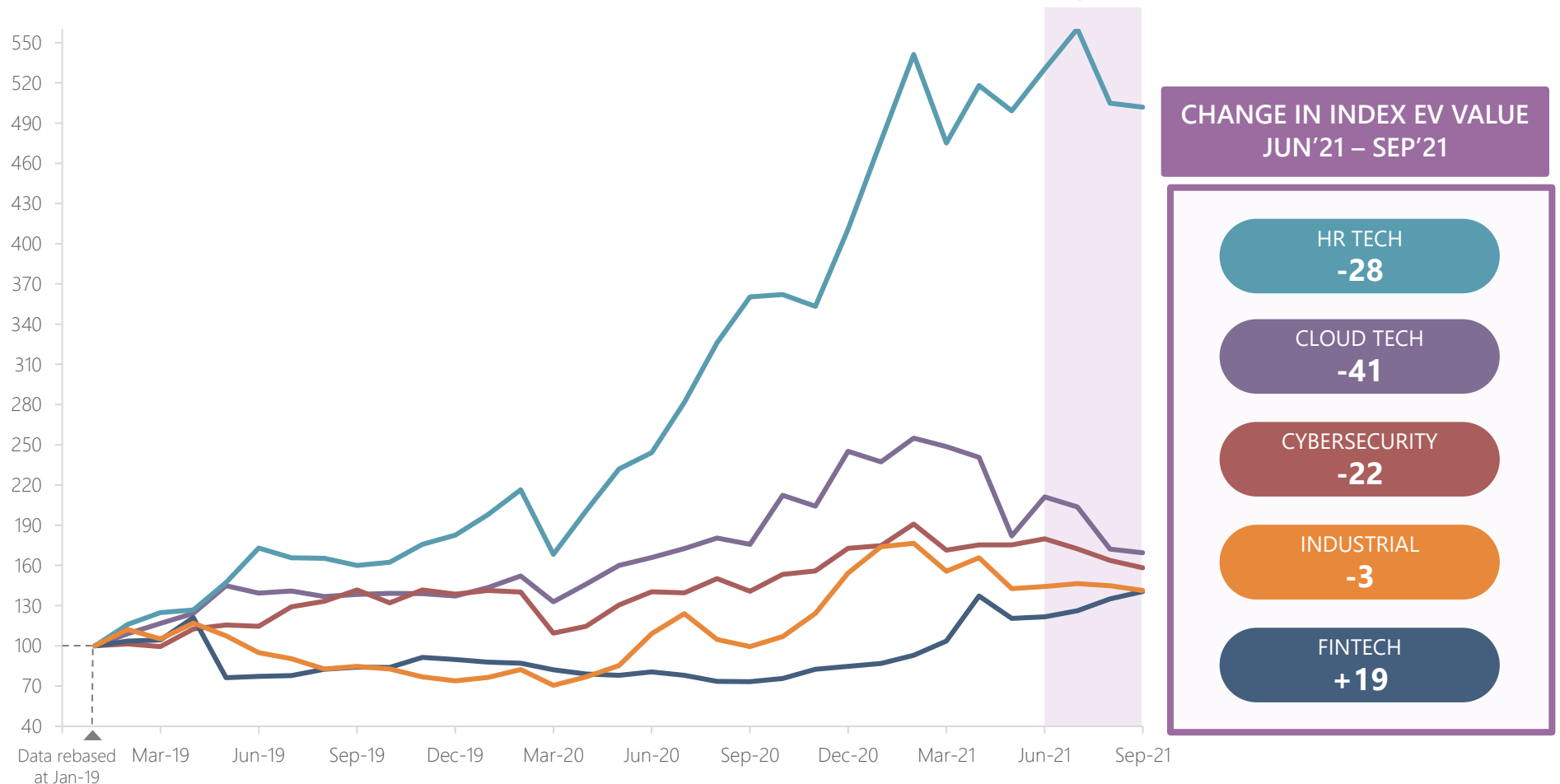


Source: Capital IQ, Silverpeak

Note: Q3 2021 multiples are taken at 30/09/21, LTM

Fintech Enterprise Value grew whilst the rest of the verticals fell

Median monthly **Enterprise Value index**, by sub sector, 2019-2021 Q3 ←Q3 21→

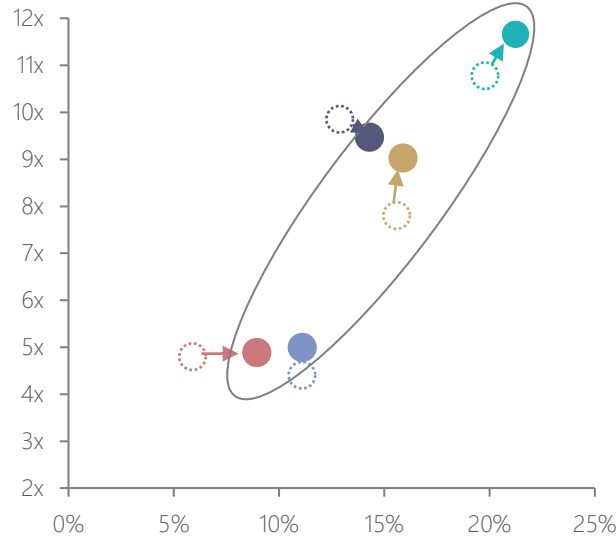


Source: Capital IQ, Pitchbook, Silverpeak

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

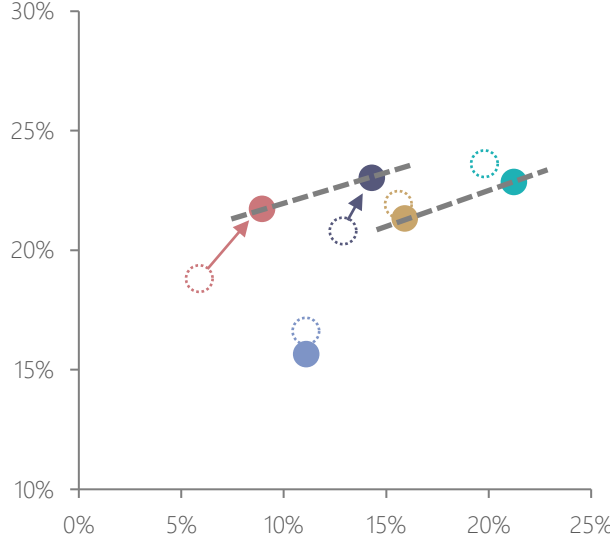
Quarterly change in operating metrics

MEDIAN REVENUE MULTIPLE



MEDIAN FORECAST ANNUAL REVENUE GROWTH

MEDIAN EBITDA MARGIN



MEDIAN FORECAST ANNUAL REVENUE GROWTH

Overall, there **was a growth** in **median revenue multiples** in Q3 with the exception of US Vertical that decreased

UK Small and Mid had the **greatest increase** in both annual forecasted revenue growth and EBITDA margin

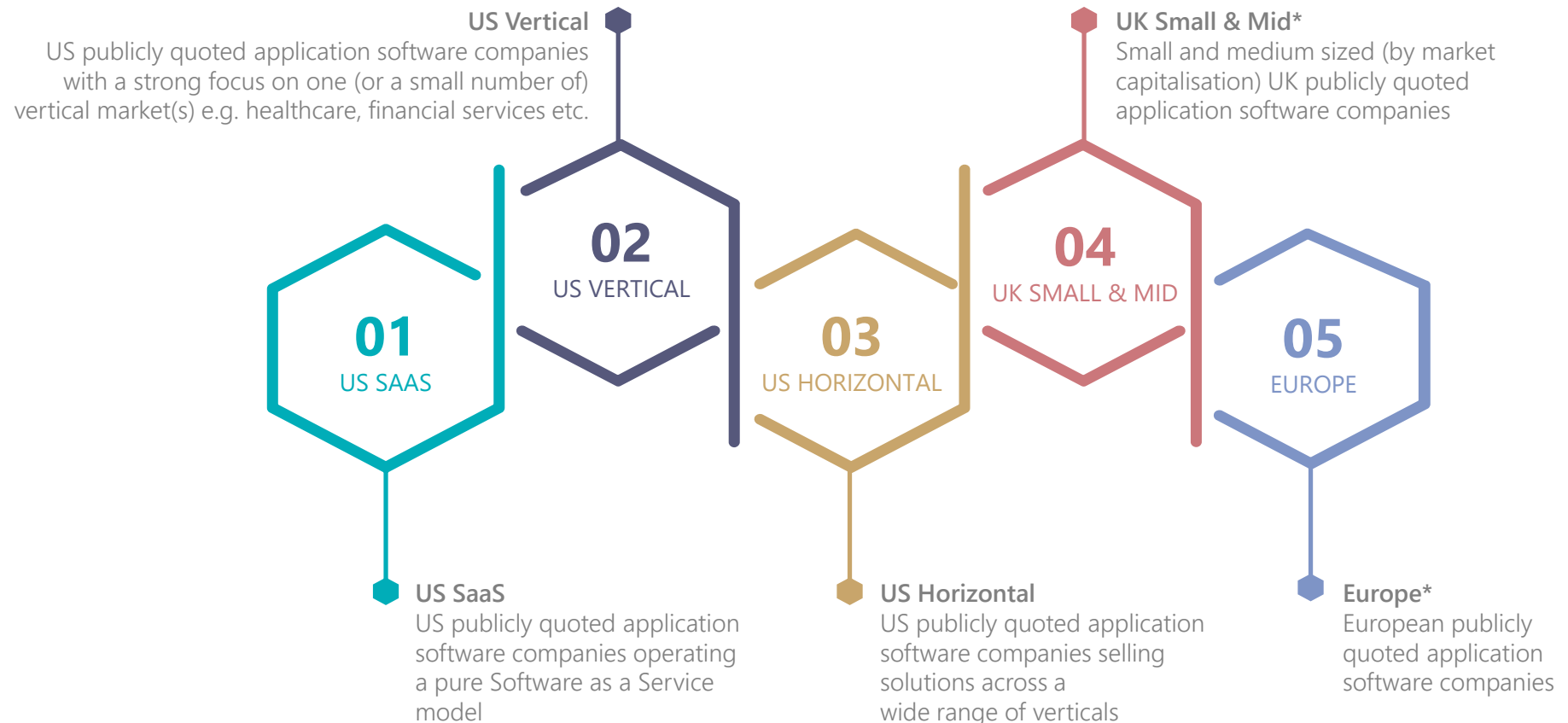
	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q3 2021					
Q2 2021					

Source: Capital IQ, Silverpeak

Note: Q3 2021 multiples are taken at 30/09/21, 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

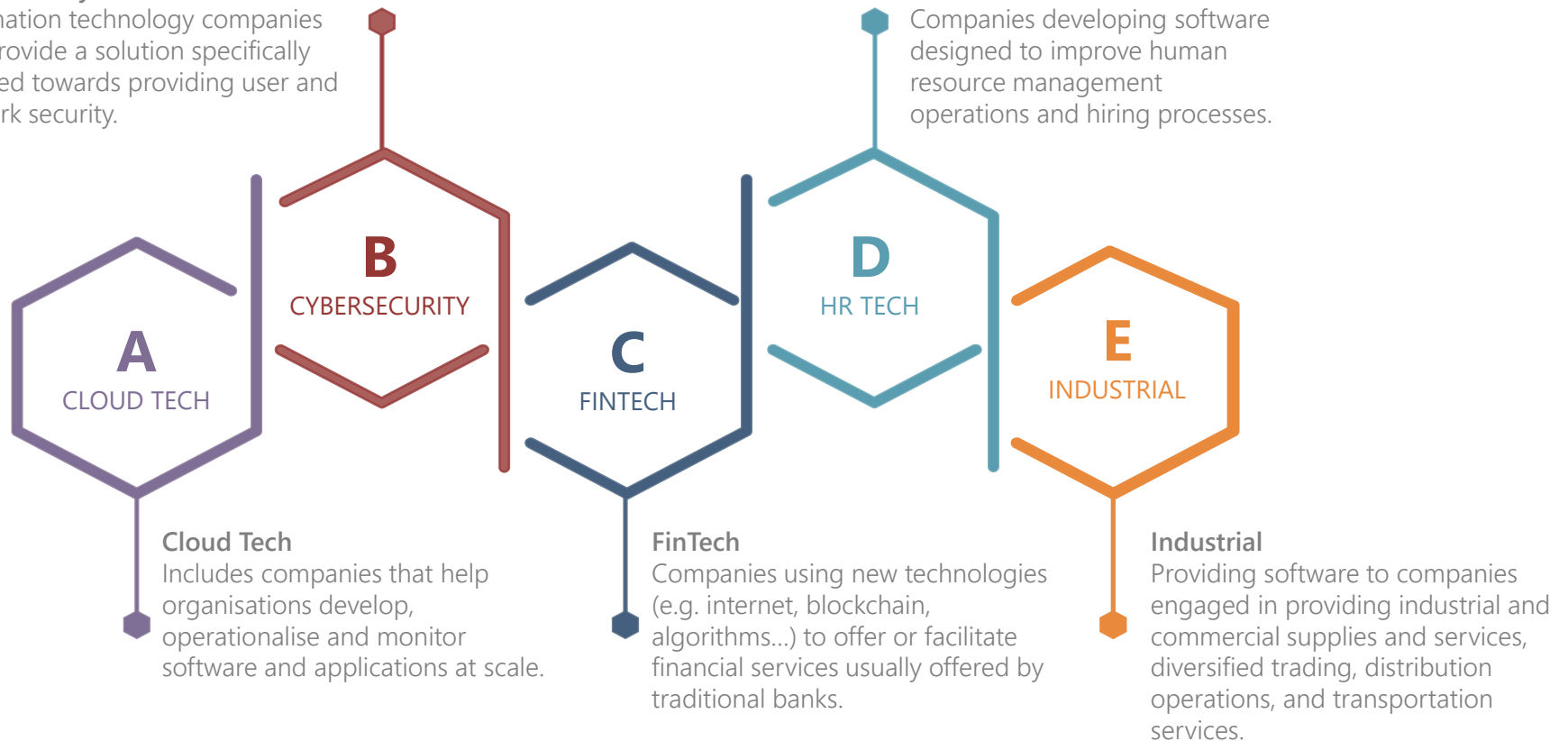
The data set was further categorised by the most common sub sectors

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.



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Thank you from Silverpeak