

Benchmark Report

Q4 2021

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



Paddy McGwire
Managing Partner
pm@silverpeakib.com



Angela Zirknitzer-Uchida
Senior Associate
azu@silverpeakib.com



Carolina Ottochian
Analyst
co@silverpeakib.com

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European clients – **Global** counterparties

EU | WW




In-space services and satellite transport


€51.5m pre-SPAC convertible bond by

& OTHER INVESTORS

January 2022 

GB | GB



Data extraction & document automation SaaS ML platform

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




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 | LU | US



Satellite antenna technology

\$40m investment by



February 2021 

GB | EU




Video compression solutions

€33m investment by

INVESTMENT FIRMS & TECH ENTREPRENEURS


October 2020 


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 

Key Takeaways

2021 was the year of European software, with UK Small & Mid and Europe revenue multiples outperforming all other categories

01

Despite a year-end correction, European software multiples outperformed their US peers, growing at an impressive 47% YoY for Europe and 26.2% for UK Small & Mid.

Overall, revenue & EBITDA multiples have grown across all categories: a 20.5% increase on average across revenue multiples and a 17% increase on EBITDA multiples YoY.

02

After a volatile Q4, the last quarter ended in only a small overall movement in revenue multiples across all categories, with the exception of UK Small & Mid which decreased 7.9% QoQ.

There continues to be a consistent divergence in EBITDA multiples between US SaaS and US Horizontal compared to US Vertical categories, with US Vertical trading at similar levels to Europe and UK Small & Mid.

03

There is no distinctive trend on EBITDA margins in Q4 – a small increase for both Europe and US Horizontal, and decreases for UK Small & Mid, US SaaS and US Vertical.






UK Small & Mid continues to show the greatest increase in forecast annual growth compared to the others.

04

The Enterprise Values Index increased modestly across 3 out of the 5 subsectors, led by Cybersecurity, and then HR tech and Industrial. Fintech charted the strongest decline this quarter, ending the year with a small plus of 3%. Every index declined in December.

Across the year Cybersecurity and HR Tech observed the strongest increase with 34% and 30% YoY respectively, and peaked this quarter.

Report Summary

CATEGORY	MEDIAN REVENUE MULTIPLES ⁽¹⁾			COMMENTARY
	Q3 2021		Q4 2021	
US SaaS	11.7x	 -0.8%	11.6x	<ul style="list-style-type: none"> Revenue multiples peaked at 13.1x in November before falling to 11.3x at quarter end EBITDA multiples showed a strong growth of 20.4% to 40.8x, reaching highest annual levels The median EBITDA margin remained stable only decreasing by 0.5% since last quarter
US Vertical	9.4x	 +2.0%	9.6x	<ul style="list-style-type: none"> Revenue multiples dropped to 8.43x at the start of December but swiftly recovered to 9.6x EBITDA multiples increased by 16.5%, briefly surpassing UK Small & Mid in December However, the EBITDA margin significantly fell by 2.6% to 20.4% in Q4
US Horizontal	9.0x	 -0.9%	9.0x	<ul style="list-style-type: none"> Revenue multiples showed a degree of volatility over Q4 but resulted in a decrease of 0.9% EBITDA multiples increased by 19.1% and the median EBITDA margin increased by 1.4% Q.o.Q The forecasted annual revenue growth only fell by 0.5% decrease since the prior quarter
UK Small & Mid	4.9x	 -7.9%	4.5x	<ul style="list-style-type: none"> UK Small & Mid revenue multiples decreased by 7.9% to 4.5x, the most out of all the categories EBITDA multiples also decreased since last quarter to 31.8x, a 4% decrease Despite the fall in multiples, the forecasted annual revenue growth increased by 3.9% since Q3
Europe	5.0x	 +1.6%	5.1x	<ul style="list-style-type: none"> Revenue multiples continued to steadily rise, increasing by 1.6% to 5.1x Although the growth rate has slowed down, EBITDA multiples increased by 3.2% this quarter The median EBITDA margin increased the most out of all categories from 15.6% to 17.4%

Source: Capital IQ, Silverpeak

Note: ⁽¹⁾Q4 2021 multiples are taken at 31/12/21, LTM

Europe and UK multiples show greater stability compared to US categories

Application software sector valuation metrics: median **Revenue** multiples 2016-2021 Q4



Source: Capital IQ, Silverpeak

Note: Q4 2021 multiples are taken at 31/12/21, LTM

UK Small & Mid is the only category whose EBITDA multiple fell in Q4

Application software sector valuation metrics: median **EBITDA** multiples 2016-2021 Q4

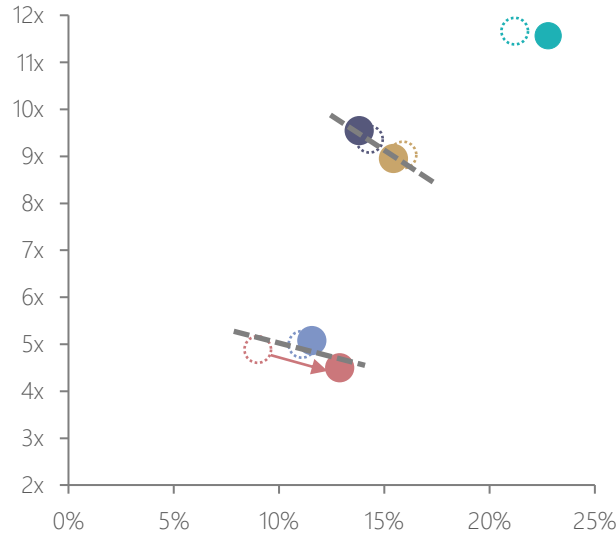


Source: Capital IQ, Silverpeak

Note: Q4 2021 multiples are taken at 31/12/21, LTM

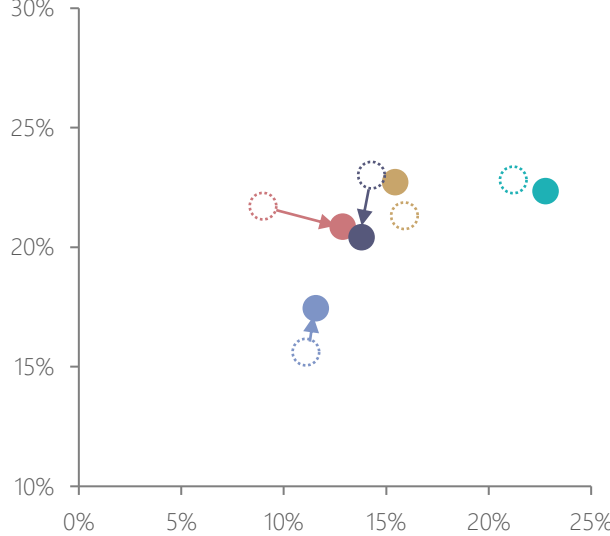
Quarterly change in operating metrics

MEDIAN REVENUE MULTIPLE



MEDIAN FORECAST ANNUAL REVENUE GROWTH

MEDIAN EBITDA MARGIN



MEDIAN FORECAST ANNUAL REVENUE GROWTH

Both US SaaS and UK Small & Mid median **revenue multiples decreased** whilst median forecasted annual **revenue growth increased**

Europe is the only category whose **median EBITDA margin and median forecasted annual growth both grew**

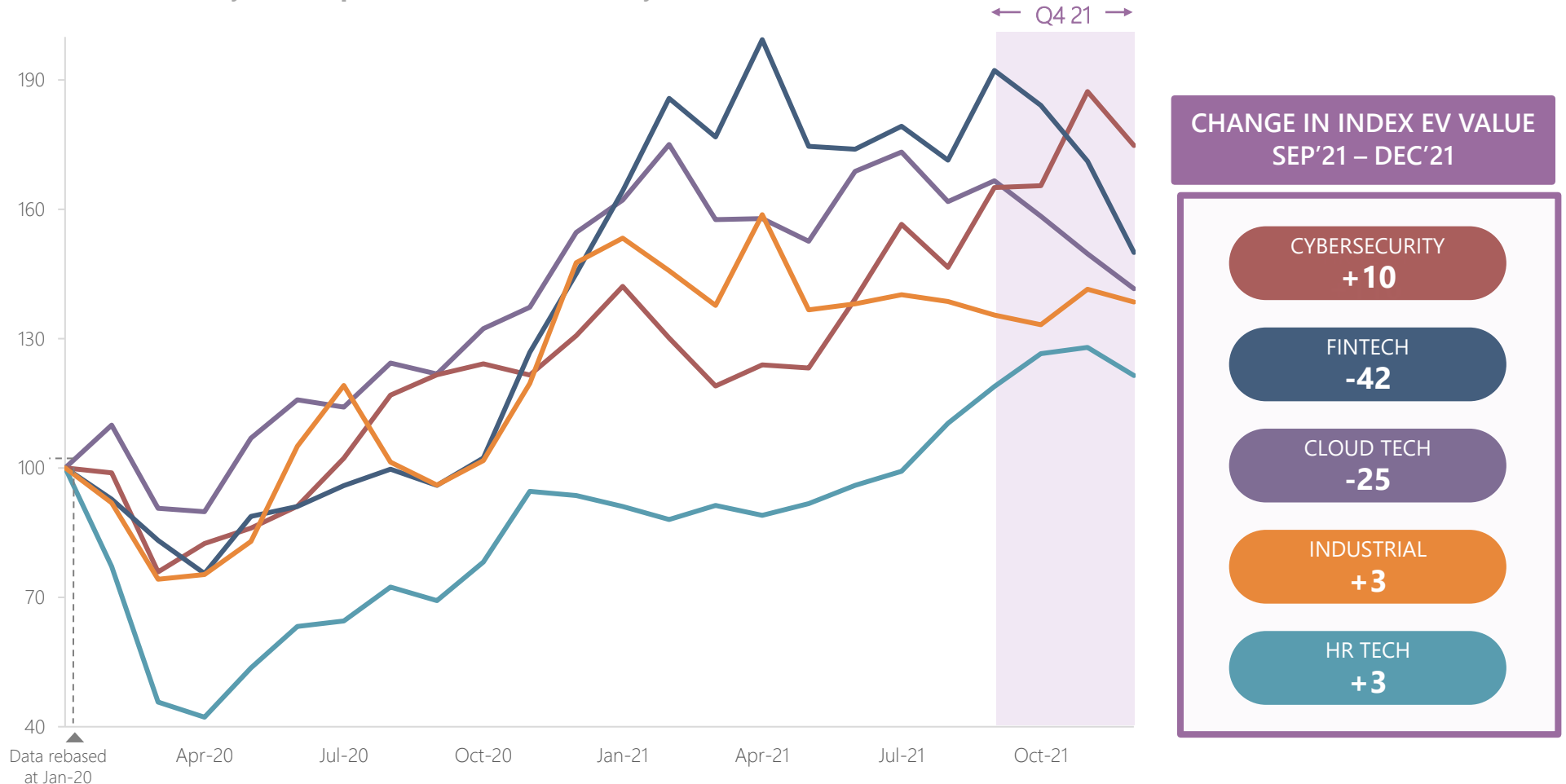
	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q4 2021					
Q3 2021					

Source: Capital IQ, Silverpeak

Note: Q4 2021 multiples are taken at 31/12/21, LTM

FinTech sees a strong decline in Q4, falling to Q4'20 levels

Median monthly **Enterprise Value index**, by sub sector, 2020-2021 Q4

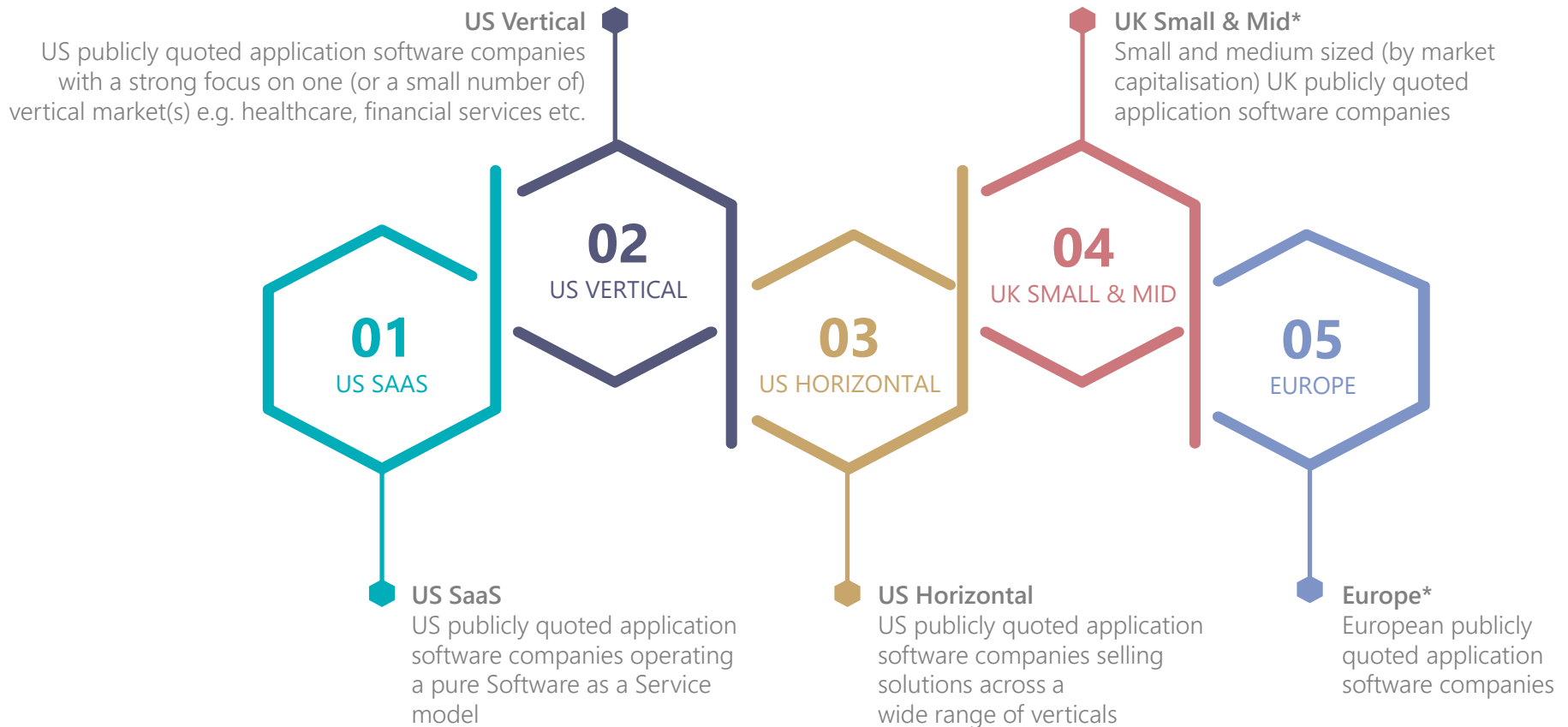


Source: Capital IQ, Pitchbook, Silverpeak

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

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

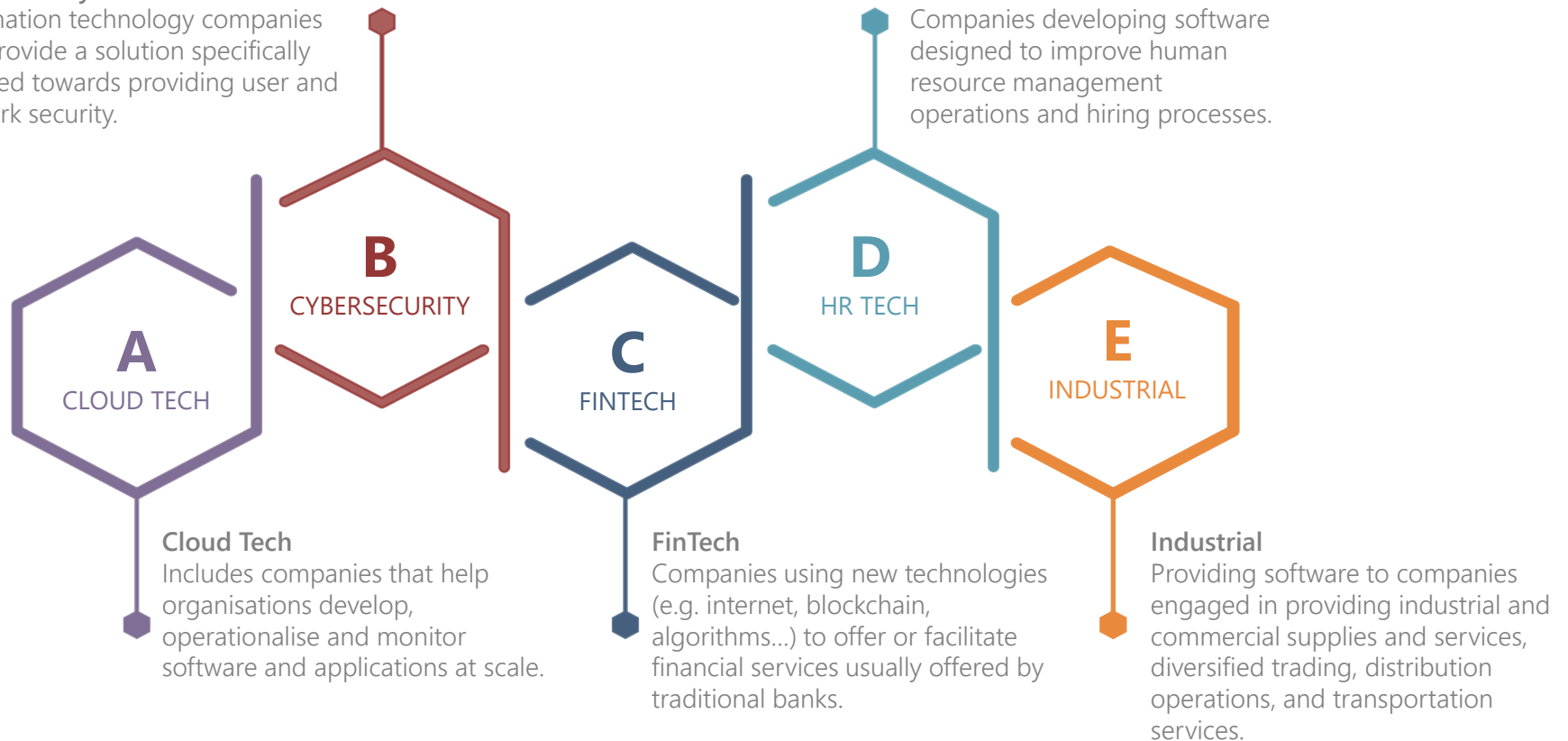
The data set was further categorised by the most common sub sectors

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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