



SILVERPEAK

APPLICATION SOFTWARE BENCHMARK REPORT Q1 2022

A review of public Application Software company valuation metrics in Europe, UK and the US.

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QUARTERLY OVERVIEW OF PUBLIC APPLICATION SOFTWARE SECTOR VALUATIONS

Welcome to the latest edition of the Silverpeak Benchmark report – a review of public Application Software company valuation metrics in Europe, UK and the US, broken down by SaaS, Vertical and Horizontal.

By reviewing median values, our aim is to provide a robust industry reference benchmark¹.

¹ Note: private company performance cannot be directly compared against public valuation metrics.



KEY TAKEAWAYS

Sharp drop in multiples with first correction since the start of the COVID-19 pandemic.



1

This widespread decline can be attributed to the uncertainty brought about by factors including: the ongoing pandemic, particularly in China with their city-wide lockdowns; geopolitical conflict, notably Russia – Ukraine; and significant inflation that was already rising with supply chain and recruitment issues across developed economies.

Despite the evolving Russia-Ukraine war having a more direct impact on commodities and energy markets, the consequential impact is widespread. It is clear that it has caused fear across all markets and has significantly affected software/technology valuations as well as contributing to inflationary pressure.

As a result, Central banks are considering a contraction in monetary policy by increasing interest rates. This negatively impacts the software market as this typically has a harsher impact on growth stocks, which make up a large part of the software sector.



2

On average, EV/Revenue and EV/EBITDA multiples declined 16% across all categories. Europe and UK were impacted more severely, falling -22% on average compared to -11% across the US categories.

There was a noticeable decrease in EV/Revenue multiples in contrast with EV/EBITDA multiples, both QoQ and YoY. Excluding the UK category, the reductions range between -12% and -29% for EV/Revenue, versus between +14% and -11% for EV/EBITDA.

The risk environment has caused the market to value profitability over growth during these uncertain times, with the UK and Europe being more profoundly impacted than the US as they are more sensitive to impacts on energy prices arising from the Russia – Ukraine war.

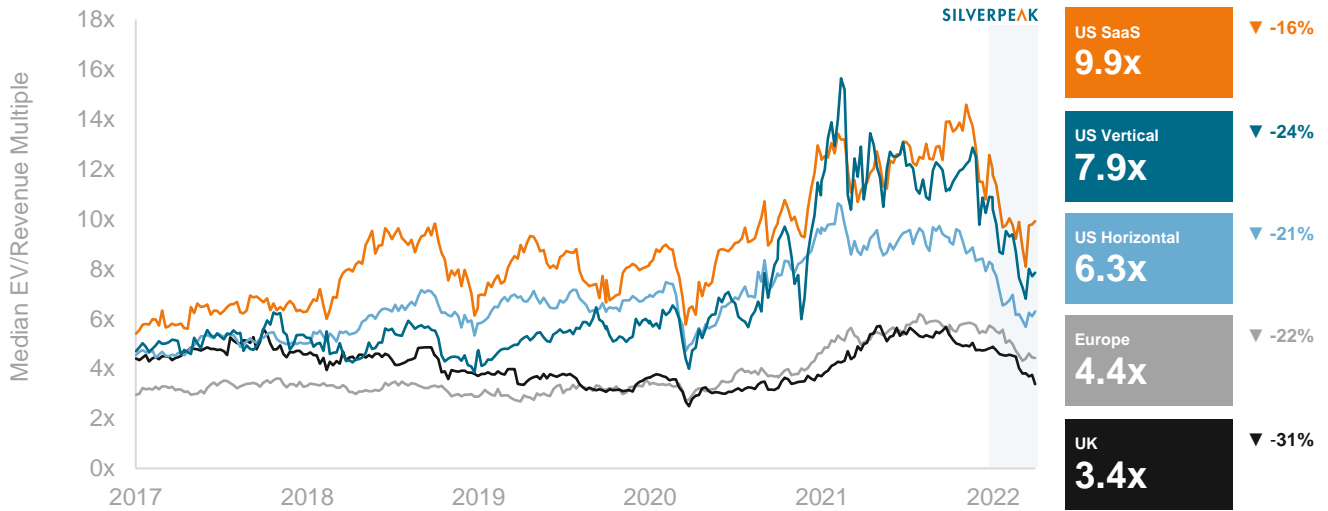


3

The DeepTech and Industrial sectors are the most volatile of all the sectors covered in the report. On the one hand, they showed the largest (positive) YoY EV/Revenue growth, but on the other hand, they also experienced the biggest declines in QoQ EV/EBITDA index.

EV/REVENUE MULTIPLES SLASHED IN MARKET CORRECTION

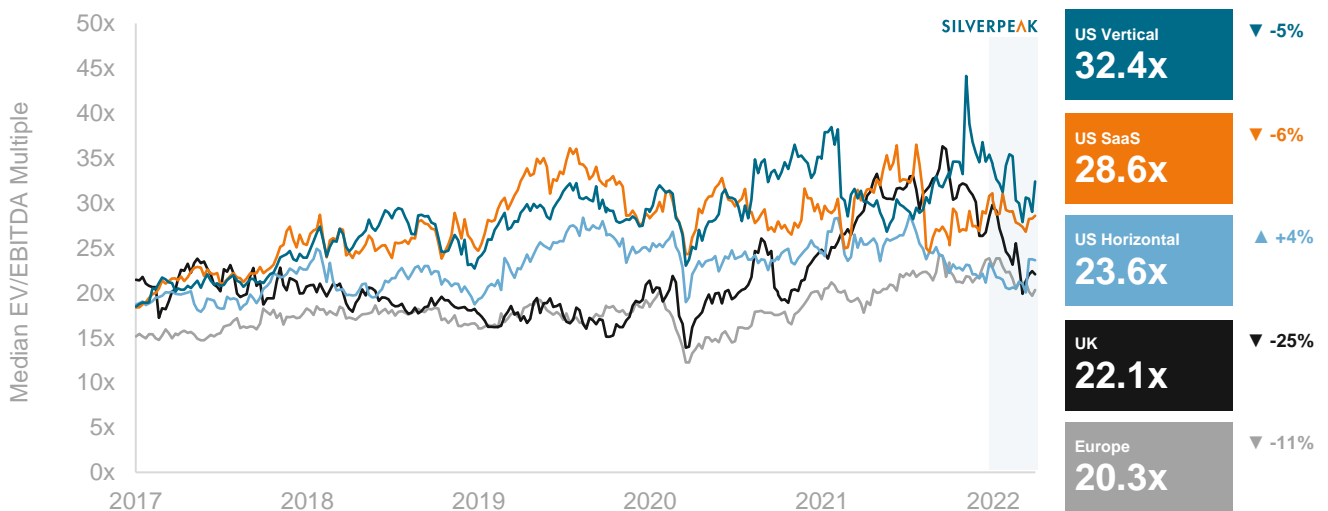
Software category valuation metrics: median EV/revenue multiples 2017-2022 Q1²



Revenue multiples decreased across all sectors this quarter, with UK exhibiting the greatest fall QoQ (-31%) and YoY (-32%). US SaaS showed the most resilience, recovering to 9.9x from a low of 8.1x to end the quarter at only -16% growth.

US CATEGORIES BOUNCE BACK, EUROPE AND UK CONTINUE DESCENT

Software category valuation metrics: median EV/EBITDA multiples 2017-2022 Q1¹

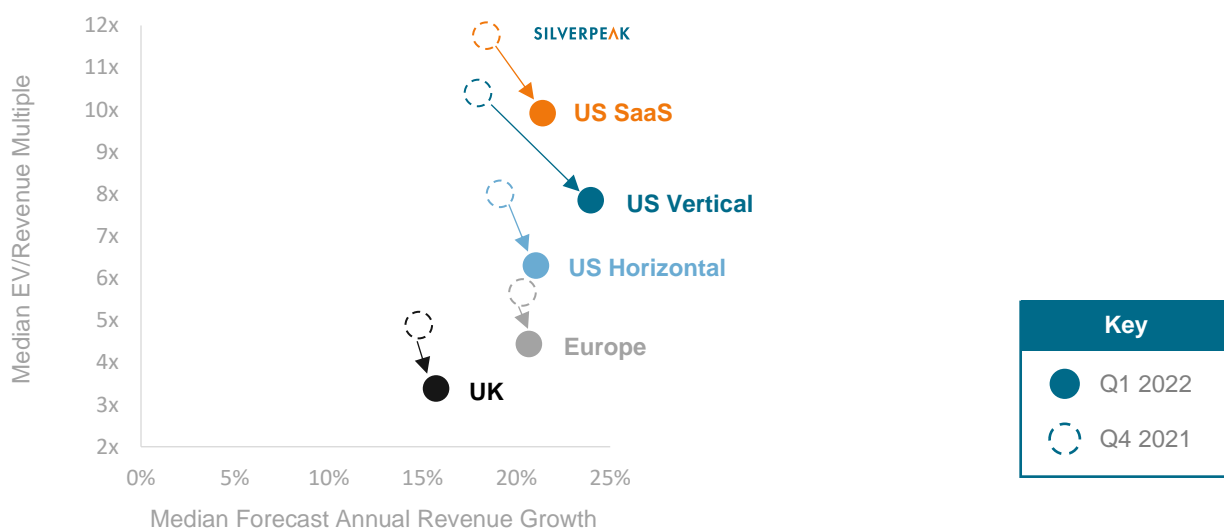


EBITDA multiples fell across all categories other than US Horizontal, with decreases in UK and Europe significantly greater than those across US categories. Despite declines in both US Vertical and European multiples, these categories have actually grown YoY.

² Source: Capital IQ, Silverpeak. Note: Q1 2022 multiples are taken at 31/03/22, LTM.

EV/REVENUE MULTIPLES FALL DESPITE UNIVERSAL INCREASE IN ANNUAL FORECAST REVENUE

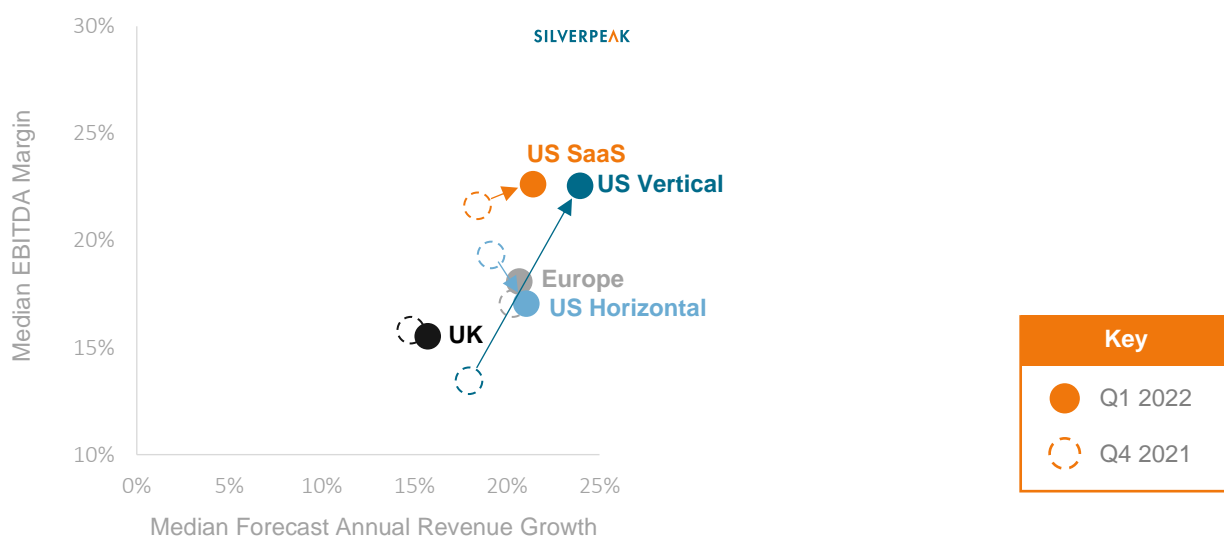
Median EV/revenue multiple vs. median forecast annual revenue growth³



Of all the categories, US SaaS exhibited the smallest decrease in EV/Revenue multiple (-16%). US Vertical saw the largest increase in annual forecast revenue growth (+6%) but also the second largest decrease in EV/Revenue multiples (-24%).

EUROPE AND UK REMAIN STAGNANT WHEREAS US CATEGORIES EXPERIENCE INCREASED REVENUE GROWTH FORECASTS

Median EBITDA margin vs. median forecast annual revenue growth²

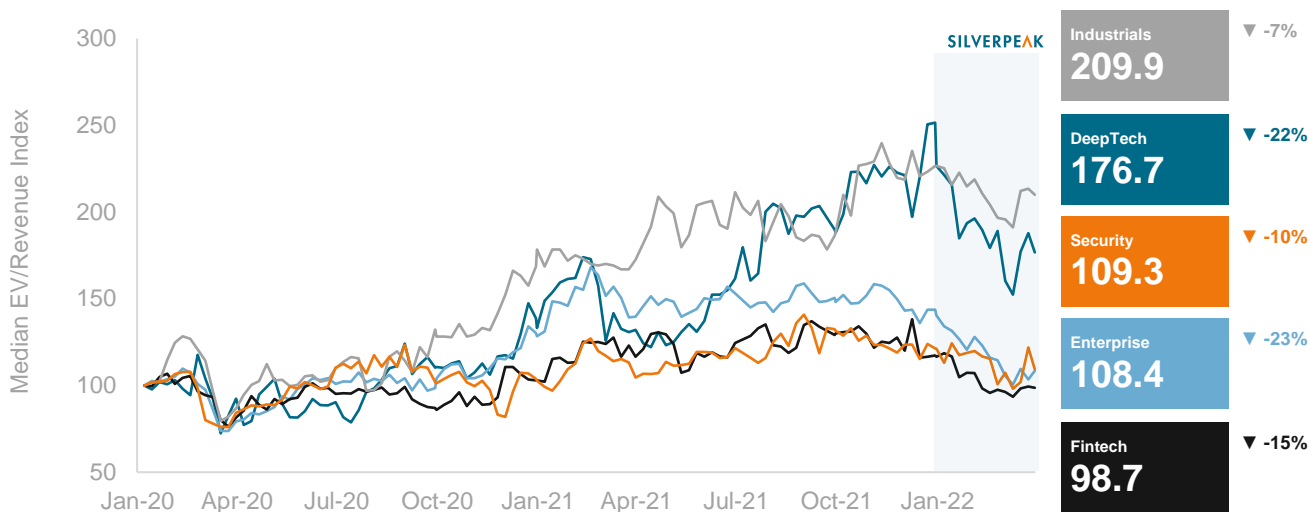


US Vertical exhibited the greatest increase in EBITDA margin (+9%) as well as Forecasted revenue growth (+6%). Although US Horizontal's EBITDA margin decreased by 2%, its forecast annual revenue growth increased by the same amount, illustrating a trade-off between profitability and growth.

³ Source: Capital IQ, Silverpeak

THE EV/REVENUE INDEX AVOIDED A PLUNGE THANKS TO A STRONG RECOVERY AT QUARTER END

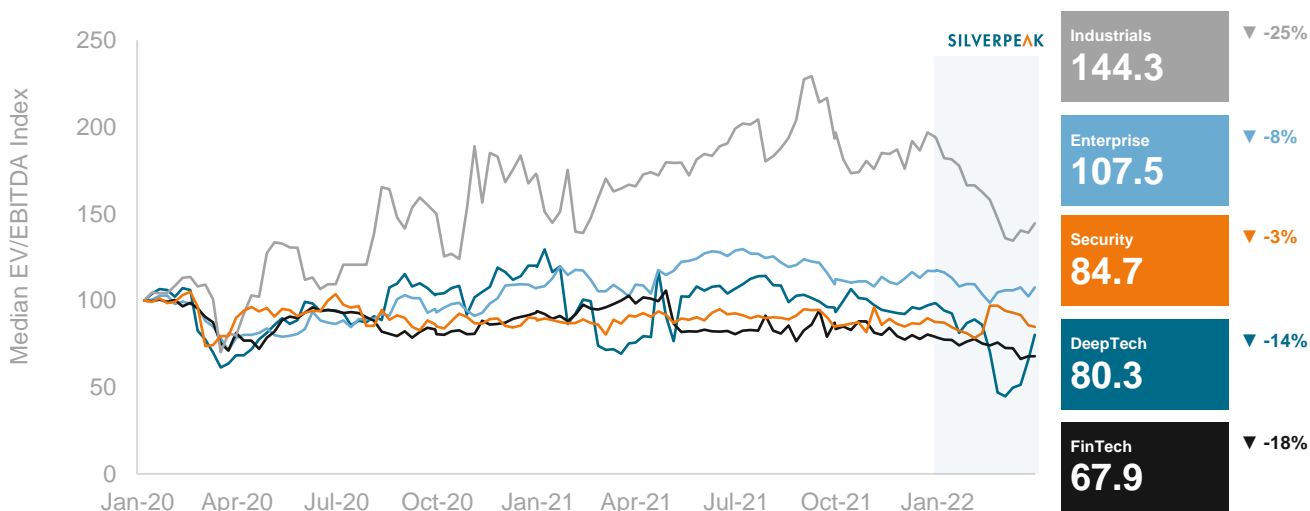
Software sector valuation metrics: median EV/revenue index 2020-2022 Q1⁴



The EV/Revenue index fell across all peer groups with Enterprise Software (-23%) and DeepTech (-22%) being affected the most. Meanwhile, Industrials (-7%) saw a much smaller decline this quarter and has actually increased YoY (+22%).

EV/EBITDA INDEX: WIDESPREAD DECLINE ACROSS ALL PEER GROUPS

Software sector valuation metrics: median EV/EBITDA index 2020-2022 Q1³



Industrials (-25%) and DeepTech (-18%) experienced the largest drops this quarter. Fintech (-31%) fell by the greatest amount YoY nearly 3x more than the next sector, Industrials (-13%).

⁴ Source: Capital IQ, Silverpeak. Note: index is based at 01/01/2020, Q1 2022 multiples are taken at 31/03/22, LTM.

METHODOLOGY

US, European and UK publicly listed software companies are screened using the S&P Capital IQ database. The dataset is reviewed and updated on a quarterly basis to include newly listed and de-listed companies and to ensure that existing companies remain pertinent to the report. A variety of financial indicators are tracked on a weekly basis including EV/Revenue and EV/EBITDA multiples, forecast annual revenue growth, gross margin, EBITDA margin and others. Companies with Enterprise Values (EV) of less than \$10m were excluded from the sample and multiples outside the 1x-100x range were disregarded from median calculations.

COMPANY CATEGORISATION

BY CATEGORY

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

Europe

European headquartered, publicly quoted software companies. This category excludes UK headquartered companies.

UK

UK headquartered, publicly quoted software companies.

US SaaS

US headquartered, operating a Software as a Service (SaaS) model, which Silverpeak defines as having a minimum 75% gross margin.

US Vertical

US headquartered, with a strong focus on one (or a small number of) vertical market(s).

US Horizontal

US headquartered, selling solutions across a wide range of vertical markets.

BY SECTOR

The dataset was further categorised by the most common sectors⁵.

DeepTech

Companies that aim to develop breakthrough technologies in engineering, sciences, and other complex processes. E.g., computer vision.

Enterprise Software

Software designed to improve enterprise operations. E.g., HR, CRM, and supply chain management solutions.

FinTech

Covers software technologies which facilitate payments and financial services. E.g., InsurTech, blockchain, mobile wallets.

Industrials

Software for use in industrial sector applications. E.g., EnergyTech, ConstructionTech, design automation.

Security

Companies that provide software solutions oriented for data, applications and IT environments. E.g., cybersecurity.

⁵ Source: Capital IQ, Silverpeak

ABOUT SILVERPEAK

Silverpeak is a mid-market technology specialist representing European growth businesses in M&A and financing transactions. Our high energy team of technology enthusiasts have completed over 200 deals between them.

We have deep business and product understanding which we use to focus on discovering the full, and often hidden, strategic value in a company. We then articulate this value to the right buyers and investors wherever they are.

RECENTLY COMPLETED MANDATES

GB | GB
March 2022

worksmart
REGTECH SaaS SOLUTION

RegTech SaaS solution

Sale to

Davies

GB | GB, NO, US
March 2022

vaarst

Autonomous subsea
robotics technology

\$20m+ Series B
investment by

Legal & General
equinor
iqt
Martlet
foresicht

IT | WW
January 2022

serbit

In-space services and
satellite transport

€51.5m pre-SPAC
convertible bond by

COBHAM

iqt IN-Q-TEL

& OTHER INVESTORS

GB | GB
October 2021

cloudtrade

Data extraction &
document automation
SaaS ML platform

Sale to

advanced
FOR THE PERFORMANCE-DRIVEN

NO | CA
September 2021

Safran

Project management and
risk analysis software

Sale to

JDM Technology
Group

NL | US
September 2021

LOGINVSI

Application testing
software

Majority sale to

WAVECREST
GROWTH PARTNERS

WE GO FURTHER TO UNDERSTAND A COMPANY'S FULL VALUE

Where is the hidden value in the technology, the growth potential, the management team and their vision?

Only when we unlock all of the potential value do we articulate it to the acquirers or investors who would benefit most.

“ Silverpeak worked hard and fast to understand every element of our business, discovering sources of hidden value strategically important to our eventual acquirer. I have no doubt this helped deliver a materially higher sale price.

ANDY NIGHTINGALE, CEO, WORKSMART

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