



SILVERPEAK

APPLICATION SOFTWARE BENCHMARK REPORT Q2 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

Volatile inflation rates are accelerating the fall in valuation multiples.



1

Software valuations continued their slide in the second quarter amid concerns over recessionary indicators; accentuated by the large proportion of Growth Companies, who tend to suffer more from market volatility.

Despite the Fed's and the European Central Bank's efforts to control inflation through increasing interest rates, inflation accelerated in most major economies.

Furthermore, Europe and US multiples continued Q1's downward trend due to the continued tensions from the war in Ukraine, increasing energy prices, supply chain disruption and gas shortages. However, UK multiples were a lot more resilient to this market downturn, falling the least across all categories.



2

EV/revenue multiples have continued to decline across the board, averaging -21%. US (average -27%) and Europe (-19%) categories have been the most affected by the current economic situation. While the UK only decreased -5%, it continues to have the lowest median multiple.

Comparatively, EV/ EBITDA multiples barely suffered, declining by a mere -10% on average.

Sector valuation indices continued to stumble, with DeepTech being the biggest loser: DeepTech EV/revenue multiples declined by almost half (-46%) compared to the other sectors (average -23%). Security and Fintech ended the quarter with a small plus.

Sector EV/EBITDA indices didn't experience such an intense decline (-6%). In fact, we can witness the first instances of positive growth in 2022 in the FinTech (+1%) and Security (+5%) sectors.

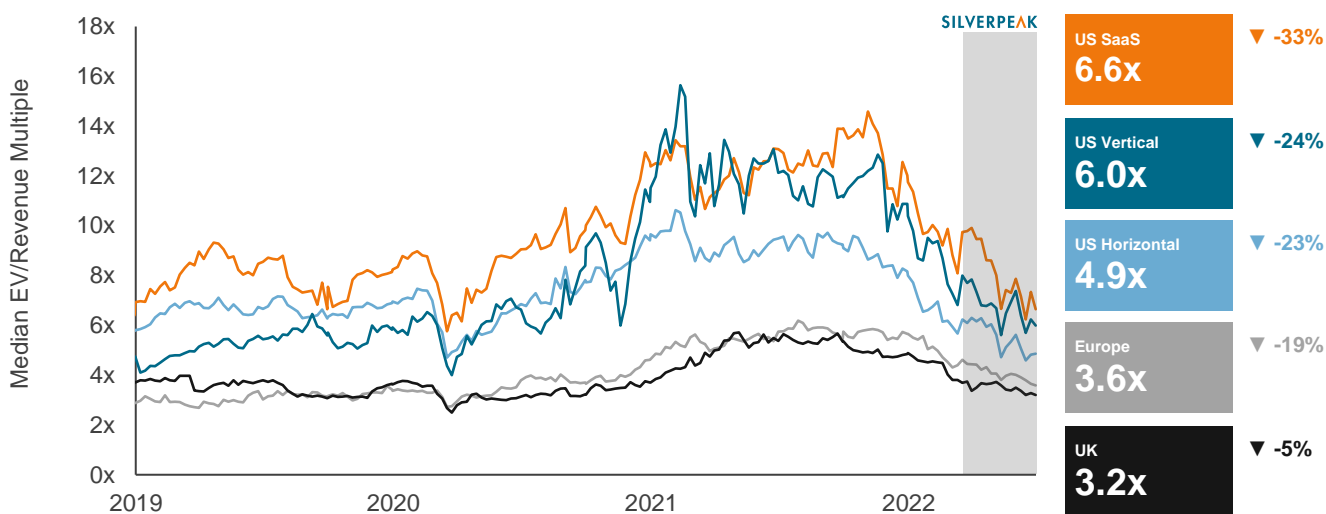


3

Investors placed more importance on profitability than forecast revenue growth in Q2 2022 as EV/revenue multiples across categories and sectors saw a heavier correction than EV/EBITDA multiples. This was largely driven by the negative market sentiment, as multiples fell despite positive forecasted revenue growth and stable EBITDA margins.

POSITIVE SIGNALS AT THE END OF Q1 ERASED BY Q2 DECLINE

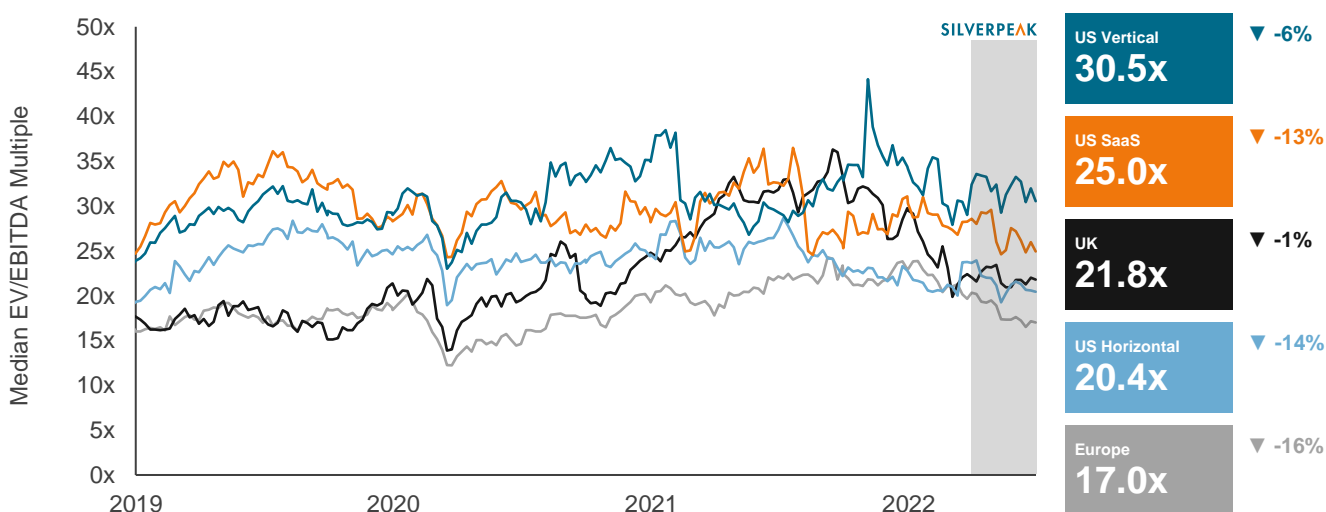
Software category valuation metrics: median EV/revenue multiples 2019-2022 Q2²



On average, revenue multiples have nearly halved YoY. Q2 continued last quarter's trend and showcased double-digit drops, with the exception of the UK (-5%). US SaaS multiples suffered the most, plummeting 33% despite maintaining the highest multiple across all categories.

UK AND US VERTICAL MULTIPLES MANAGE TO KEEP AFLOAT AMONG A SINKING GROUP OF PEERS

Software category valuation metrics: median EV/EBITDA multiples 2019-2022 Q2²

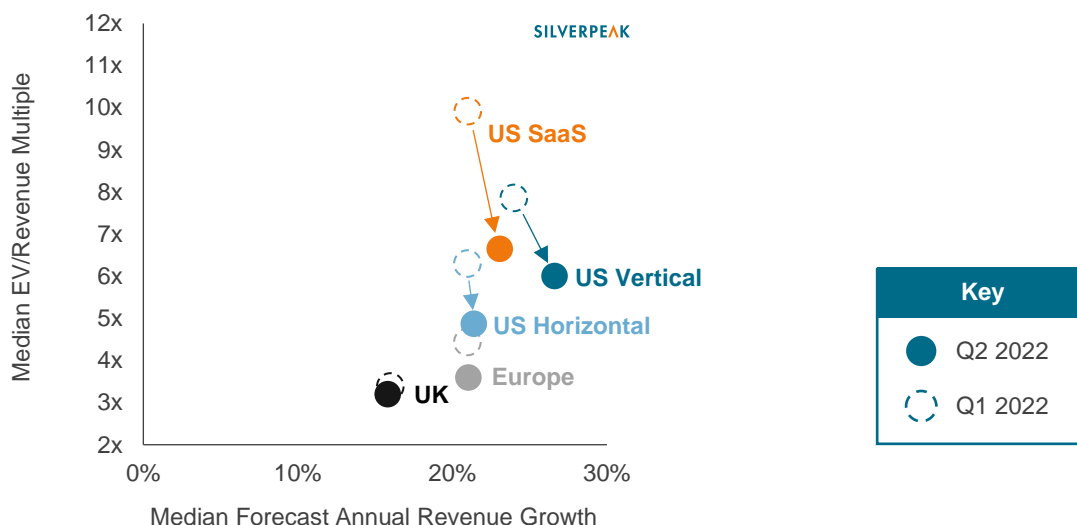


US Vertical remained stable YoY (+4%) while all other categories continued to face a market correction, with the average decline across all other sectors at -26%. In Q2, EBITDA multiples fell across the board, especially in Europe (-16%) while UK multiples remained stable (-1%).

² Source: Capital IQ, Silverpeak. Note: Q2 2022 multiples are taken at 30/06/22, LTM.

FURTHER CORRECTION OF EV/REVENUE MULTIPLES DESPITE IMPROVED FORECAST REVENUE GROWTH

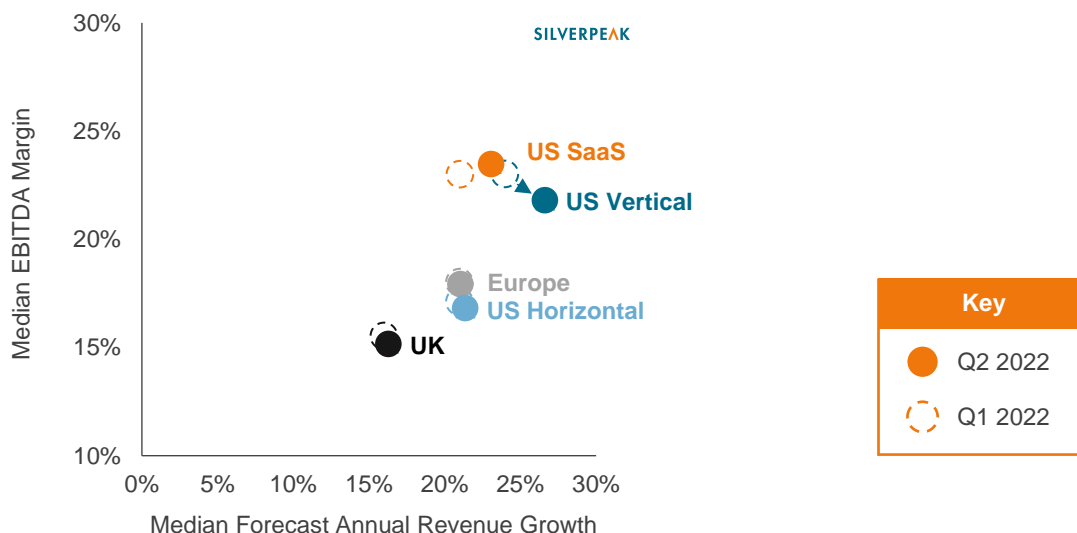
Median EV/revenue multiple vs. median forecast annual revenue growth³



The US market was pessimistic this quarter, exhibiting declining valuations despite increases in forecast revenue growth. This was emphasized by the average reduction (-27%) in US multiples being much greater than the average across Europe and the UK (-12%).

EBITDA MARGINS REMAIN STABLE AMID MARKET DOWNTURN

Median EBITDA margin vs. median forecast annual revenue growth³

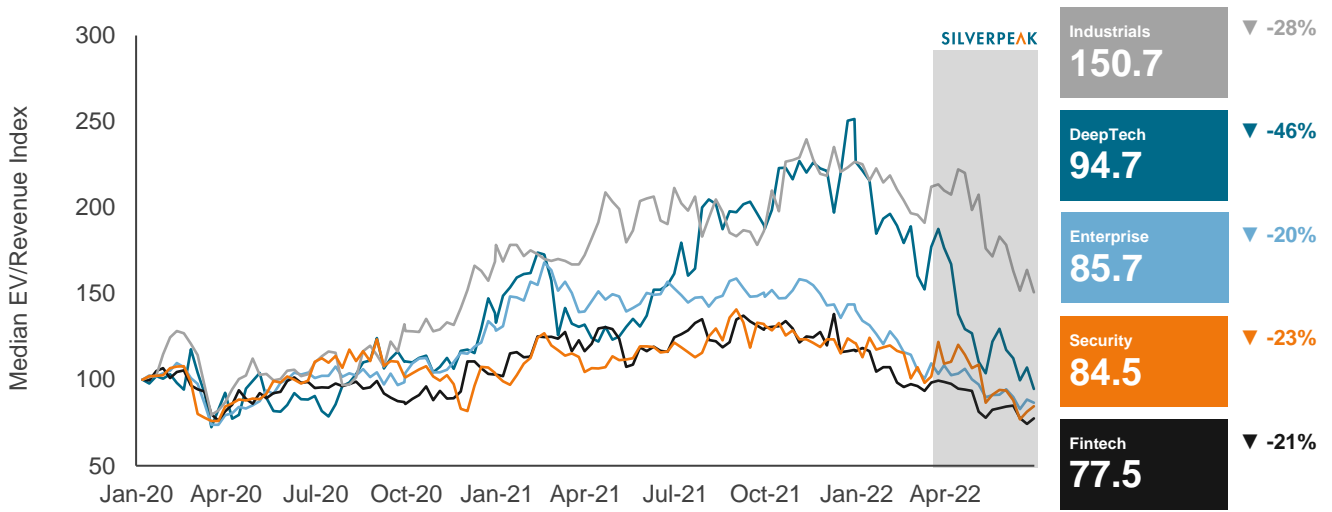


EBITDA margins remained stable or improved for US SaaS and US Vertical, with little impact on EV/EBITDA multiples.

³ Source: Capital IQ, Silverpeak

DESPITE PROMISING SIGNS OF RECOVERY AT THE END OF Q1, THE EV/REVENUE INDEX PLUNGED Q2

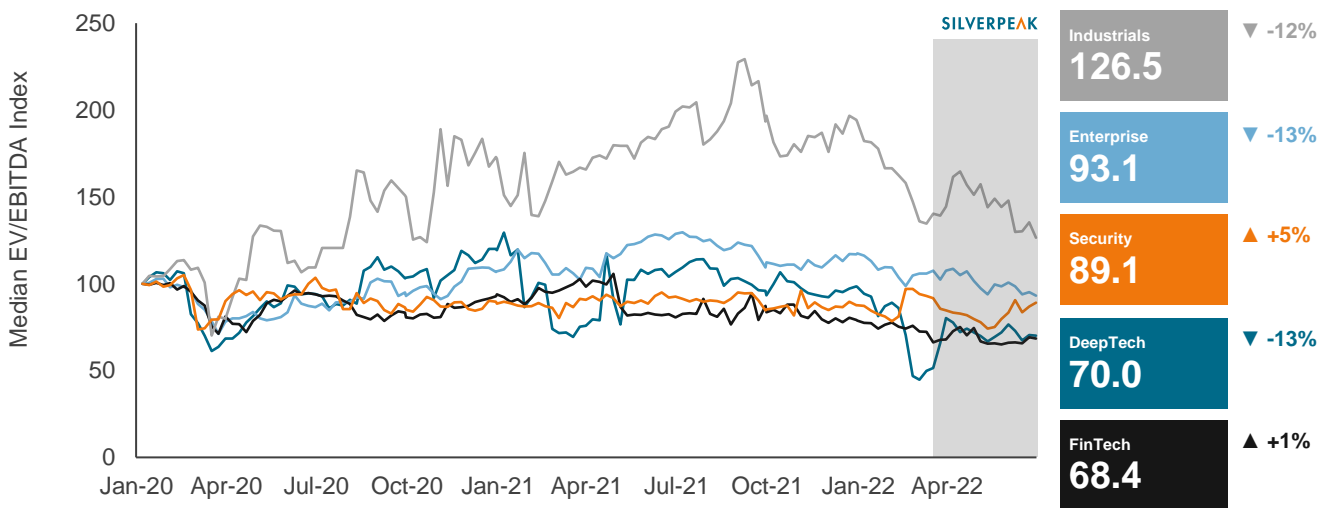
Software sector valuation metrics: median EV/revenue index 2020-2022 Q2⁴



The EV/Revenue index declined by an average of 36% YoY across sectors continuing the bearish trend since the beginning of the year. DeepTech decreased -46%, followed by Industrials (-28%), Security (-23%), Fintech (-21%) and Enterprise Software (-20%).

EV/EBITDA INDEX MORE RESISTANT TO NEGATIVE MARKET SENTIMENT THAN EV/REVENUE INDEX

Software sector valuation metrics: median EV/EBITDA index 2020-2022 Q2⁴



Fintech (+1%) and Security (+5%) ended Q2 with a small plus, while Industrials (-12%), DeepTech (-13%), and Enterprise Software (-13%) continued to fall in line with current market conditions.

⁴ Source: Capital IQ, Silverpeak. Note: index is based at 01/01/2020, Q2 2022 multiples are taken at 30/06/22, 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

IT | US
May 2022



Additive manufacturing services and proprietary composite materials

Investment by



GB | GB
March 2022

worksmart
REGULATORY CHANGE MEETS BUSINESS ADVANTAGE

RegTech SaaS solution

Sale to



GB | GB, NO, US
March 2022

vaarst
ROVCO

Autonomous subsea robotics technology

\$20m+ Series B investment by



IT | WW
January 2022



In-space services and satellite transport

\$51.5m pre-SPAC convertible bond by

COBHAM



& OTHER INVESTORS

GB | GB
October 2021

cloudtrade

Data extraction & document automation SaaS ML platform

Sale to



NO | CA
September 2021

Safran

Project management and risk analysis software

Sale to

JDM Technology Group

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’s in-depth knowledge of the market together with its outstanding execution capabilities and connections with investors across the sector proved invaluable. The team helped us build our investment case, financial models and presentations which led to interest from global investors.

LUCA ROSSETTINI, CEO, D-ORBIT

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