Silverpeak Benchmark Report Q1 2018

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

Silverpeak's selected recent software experience

US / UK / France
SCALITY
Software for distributed file & object storage and multi-cloud data control
$60M growth funding by
bpifrance, Galileo Investment, Harbert Management Corporation, Hewlett Packard Enterprise, idinvest Partners, iris capital, Menlo, Omnes Capital
APRIL 2018

Germany / Germany
eFulfilment – Excellent eBusiness Software.
SaaS business e-commerce middleware platform
sale of majority stake to
Elvaston
OCTOBER 2017

UK / US
CAKE
Payment software for the hospitality sector
has been sold to
American Express
OCTOBER 2017

Germany / Germany
STARTEC PAYMENT
POS payment specialist
sale of controlling stake to
heidelpay
OCTOBER 2017

Germany / Germany
AUVESY.
Data management software
sale of majority stake to
Brockhaus Private Equity
SEPTEMBER 2017

Germany / Germany / US
MARKETLOGIC
Cognitive insight platform
investment by
GENUI Partners + Summit Partners
Advisor to Genui
MAY 2017

UK / UK / US
Blackbay – Empowering Mobile Workers
Logistics software
has been sold to
Francisco Partners, BluJay Solutions
APRIL 2017

UK / US
silverlining solutions
Employee performance optimisation software
has been sold to
Genesys
FEBRUARY 2017

Germany / China
.hetras
Hotel management SaaS
has been sold to
Shiji Network 石基信息
AUGUST 2016

Germany / Germany
MHP Solution Group
Shipping logistic & foreign trade software solutions
has been sold to
Elvaston
JULY 2016

UK / US
MAGIC PONY TECHNOLOGY
Machine learning for video processing
has been sold to
twitter
Advisor to Octopus – investor in Magic Pony Technology
JUNE 2016

Germany / US
airpas aviation ag
Airline cost management and profitability solution
has been sold to
Sabre
APRIL 2016

Commentary

Highlights

- After a strong 2017, where all categories experienced an increase in revenue multiples, Q1 2018 has maintained momentum with all, except Europe, reaching a record peak during the quarter
- US SaaS companies continued trading at new record trading multiples, while US Vertical and Horizontal converged during Q1 2018
- UK Small & Mid finished at a record median revenue multiple, closing the gap to within 7% of US Horizontal
- All categories suffered in the February stock market crash, but all have bounced back. Even though US Vertical finished Q1 at the same level as of the correction, all other categories have surpassed the crash trough

Key Themes

- Private equity interest in the application software sector remains stable with the number of transactions remained unchanged year-on-year (YOY)
- Notable PE buyers during Q1 include Thoma Bravo, Corsair Capital, Bain Capital and Apax Partners
- Revenue growth forecasts continue to show some interesting data points:

1. US SaaS Median growth estimates remain high despite having dropped slightly compared quarter-on-quarter (QOQ)
2. Revenue growth for US Vertical and US Horizontal remain the lowest compared to other categories but are slowly closing the gap
3. UK Small and Mid revenue growth estimates have dropped compared to Q4 2017
4. Europe continue to increase their revenue growth, both QOQ and YOY

Note: In this Q1 2018 report, we have updated our dataset by adding new companies that had IPO'd in the last 3 years. We reset the data from 2015 which is shown in the graphs

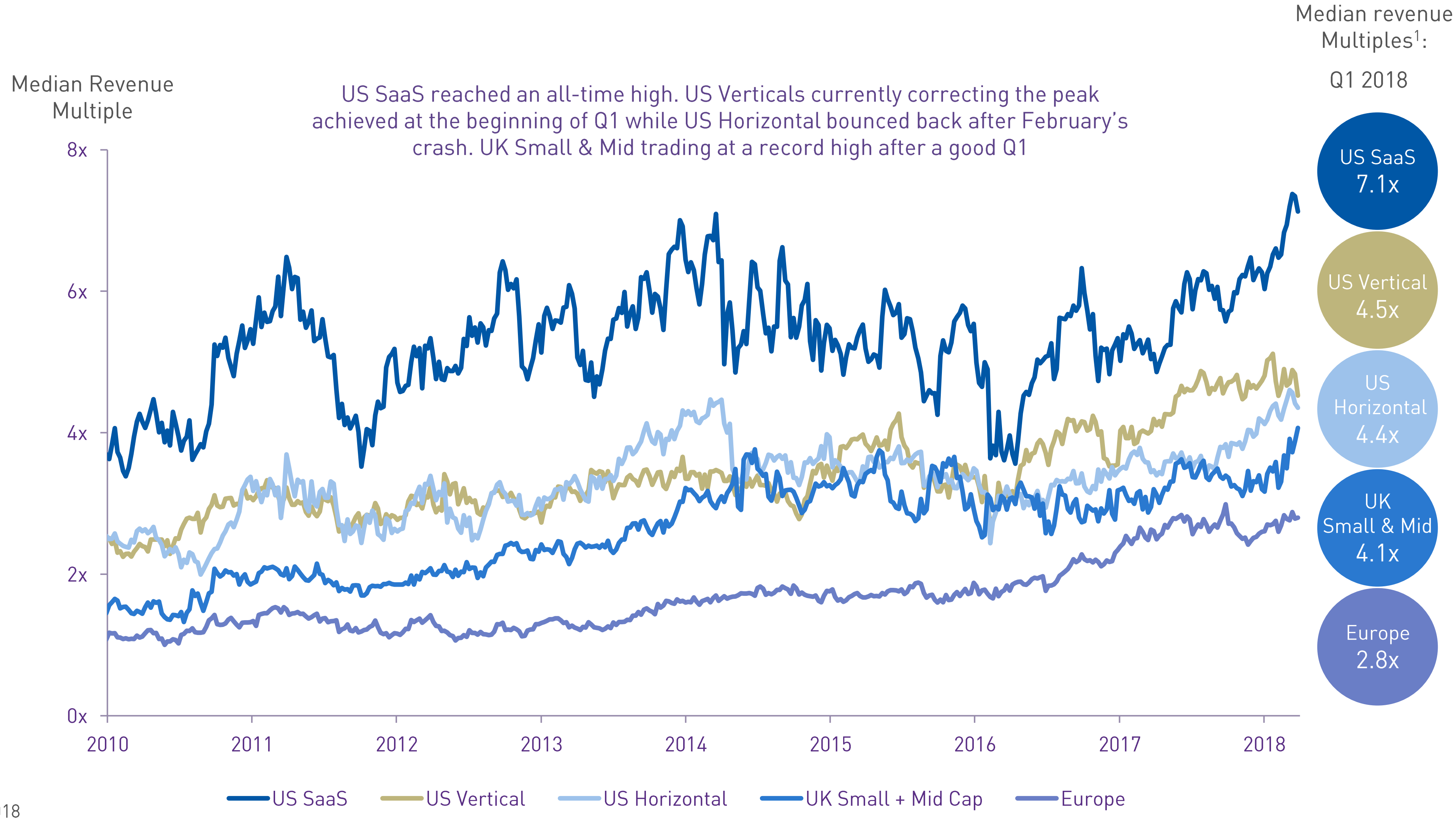
Report highlights

	Median revenue multiples[1] Q4 2017		Median revenue multiples[1] Q1 2018	Commentary
US SaaS	6.3x	↑ +13.7%	7.1x	▪ US SaaS companies peaked during Q1 reaching an all time high of 7.4x in EV/Rev valuation, but fell back to 7.1x at period end ▪ US SaaS companies rose in valuation by 2x Year-On-Year (YOY) from 5.1x Q1 2017 to 7.1x in 2018 where contractual recurring revenue continues to attract a premium ▪ Revenue growth forecasts remain the highest amongst all other categories
US Vertical	4.7x	-4.4% ↓	4.5x	▪ Even though US Vertical TEV/Rev reached an all-time high (max = 5.1x) at the beginning of Q1 2018, US Vertical valuations slightly dipped QOQ ▪ Median EBITDA Margin is the highest of the 5 categories analysed, however, median revenue growth rate remains relatively low at 9.8% but improving QOQ and YOY
US Horizontal	4.2x	↑ +4.5%	4.4x	▪ US Horizontal valuations increased during Q1 trading at max 4.6x. US Horizontal companies are closing the gap with US Vertical, however still the lowest in US ▪ Median Revenue growth continue to improve and the median EBITDA Margin remains high despite being down compared QOQ and YOY ▪ In contrast, TEV/EBITDA remains relatively low, trading at 19.6x
UK Small & Mid	3.2x	↑ +27.0%	4.1x	▪ UK valuations had a good start of 2018, having reached a record at the end of Q1 2018, TEV/Rev spiked by 27% QOQ ▪ Median EBITDA Margins remain high at 17%, stable YOY, however revenue growth expectations are down QOQ but have improved YOY
Europe	2.6x	↑ +7.7%	2.8x	▪ European TEV/Rev valuations continue their recovery after experiencing a dip in the middle of Q4 2017 ▪ Revenue growth has improved QOQ and YOY, and profitability remains stable and at the same level as last quarter but slightly down YOY

1. As at 31st March, 2018

Software sector valuation metrics: revenue multiples

US SaaS reached an all-time high. US Verticals currently correcting the peak achieved at the beginning of Q1 while US Horizontal bounced back after February's crash. UK Small & Mid trading at a record high after a good Q1

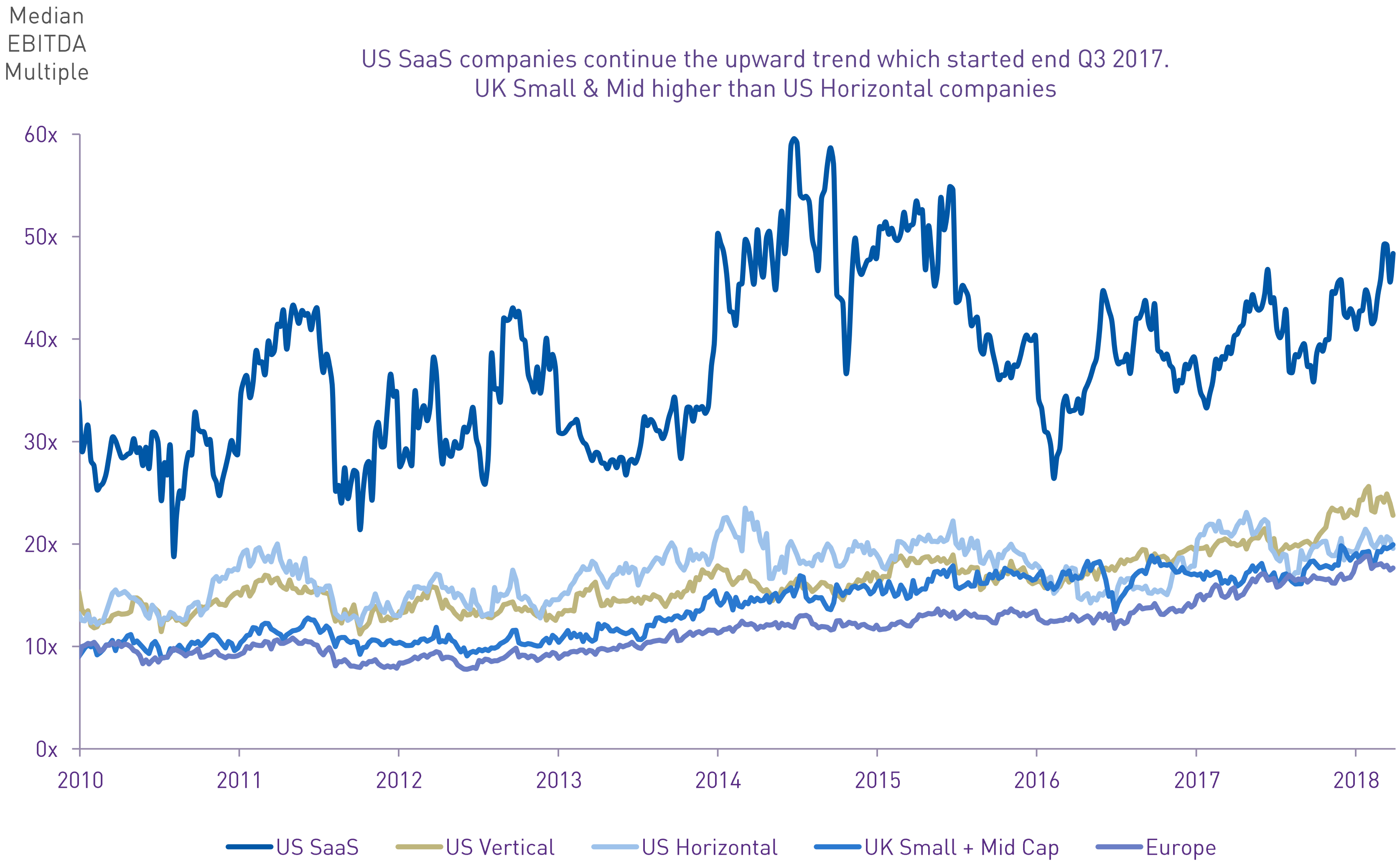


1. As at 31st March, 2018

Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics: EBITDA multiples

US SaaS companies continue the upward trend which started end Q3 2017.
UK Small & Mid higher than US Horizontal companies



Median EBITDA Multiples[1]:

Q1 2018

US SaaS 48.4x

US Vertical 22.8x

US Horizontal 19.6x

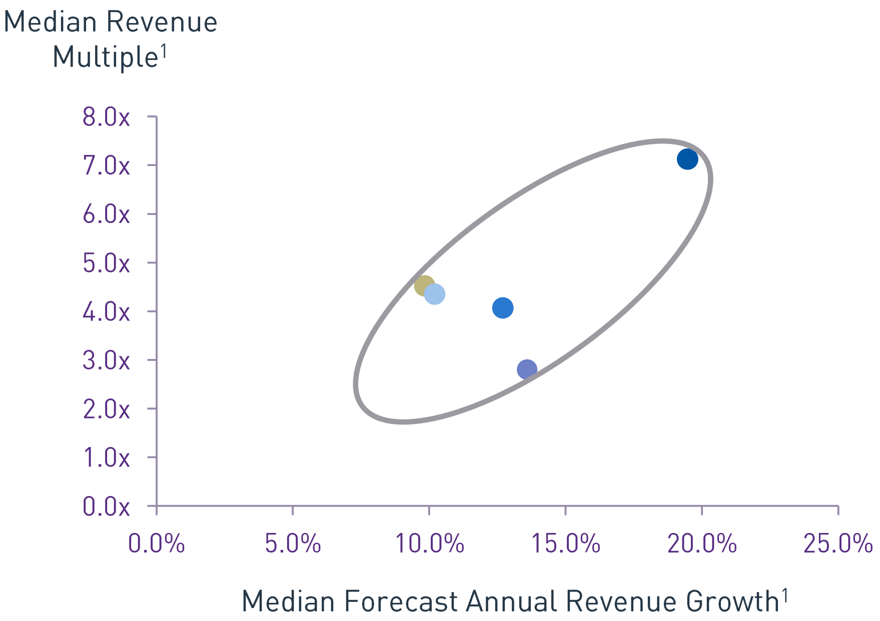
UK Small & Mid 19.9x

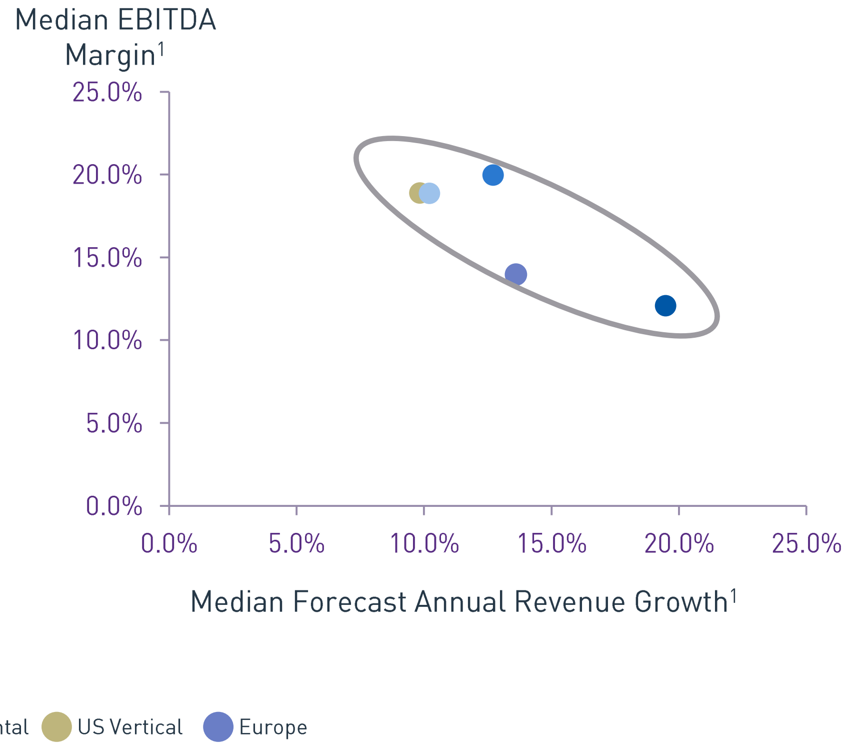
Europe 17.7x

1. As at 31st March, 2018

Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics[1]: summary





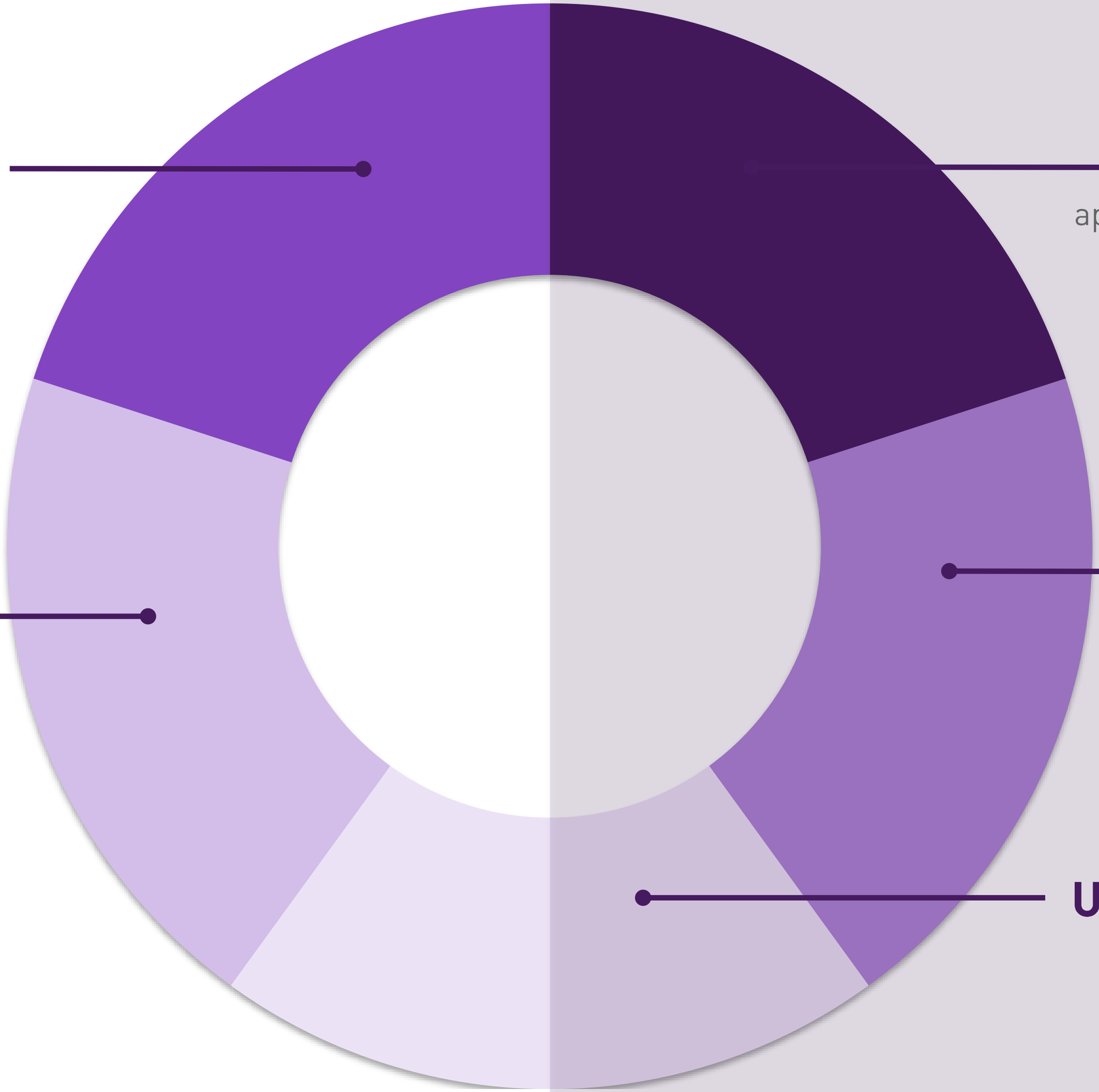
1. As at 31st March, 2018

Definitions:
US SaaS – US publicly quoted application software companies operating a pure Software as a Service model.
US Vertical – US publicly quoted application software companies with a strong focus on one (or a small number of) vertical market(s) e.g. healthcare, financial services etc.
US Horizontal – US publicly quoted application software companies selling solutions across a wide range of verticals.
UK Small+Mid – Small and medium sized (by market capitalisation) UK publicly quoted application software companies.
Europe - listed application software companies.

Source: Silverpeak / S&P Capital IQ

Company categorisation

For comparison purposes, we've grouped companies covered in the report into one of five categories:



UK Small & Mid* – Small and medium sized (by market capitalisation) UK publically quoted application software companies

Europe* – European publicly quoted application software companies

US SaaS - US publicly quoted application software companies operating a pure Software as a Service model

US Vertical – US publicly quoted application software companies with a strong focus on one (or a small number of) vertical market(s) e.g. healthcare, financial services etc.

US Horizontal – US publicly quoted application software companies selling solutions across a wide range of verticals

*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.

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