



SILVERPEAK

APPLICATION SOFTWARE BENCHMARK REPORT Q2 2023

A review of public application software company valuation metrics in Europe, the 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, the UK, and the US, broken down by SaaS, vertical and horizontal.

We review median values to produce a robust industry reference benchmark¹.

¹Note: We screen US, European and UK publicly listed software companies using the S&P Capital IQ database. We derive our insights and conclusions from this S&P dataset, which consists of 485 companies, of which 431 are still public.

Private company performance cannot be directly compared against public valuation metrics.



1

Macro environment continues to put brakes on software valuations

Macroeconomic trends were mixed through Q2. In the US, investors entered the quarter on high alert for a recession and this played into a volatile start for US SaaS and US vertical categories, which both fell significantly by EV/Revenue metrics. Yet by June, both categories were up as a downturn remained elusive, inflation remained sticky, and the Federal Reserve has since signalled that it intends to keep rates higher for longer to stem inflation and respond to the continued tight labour market.

Meanwhile in Europe, inflation was up in May to 6.1% and in the UK to 8.7%. The quarter saw further interest rate rises by central banks across all regions, a factor that continues to put pressure on software valuations as investors seek higher risk premia.

2

Europe follows US lead along recovery path

Despite this, after green shoots appeared in Q1 in the US, Europe appears to be following suit. The region's EV/Revenue multiples grew strongly in Q2, rising 13%. The US consolidated its recovery, with no categories recording a QoQ decline in EV/Revenue.

By EV/EBITDA, Europe also experienced robust multiple growth of 23% and the US categories remained stable. European markets have largely adjusted to the war in Ukraine and higher energy prices. The recovery here is likely down to the historical pattern of Europe following US trends as investors seek out arbitrage opportunities away from higher valued US stocks.

The outlier is the UK, which saw both EV/Revenue and EV/EBITDA multiples fall, by 10% and 15%, respectively. While this may reflect public market sentiment, the situation is very different in private markets, where we see high quality businesses trading at high EV/EBITDA multiples.

3

Forecast revenue growth falls while EBITDA margins remain resilient

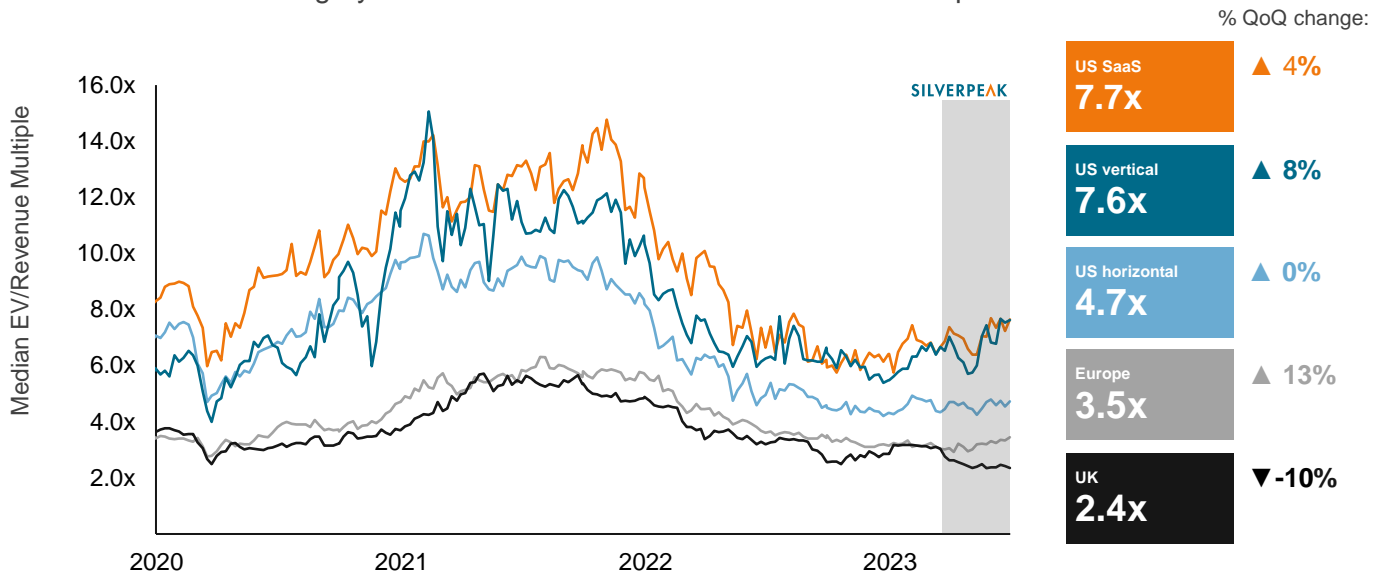
As supply chain issues faded and developer costs fell in the face of large-scale lay-offs by big tech, EBITDA margins were resilient – remaining largely unchanged – even in the face of significantly lower forecast annual revenue growth across all categories as market sentiment caught up with the economic reality. The sector's focus on profitability appeared to generate results, with the Big 7 US technology stocks performing well during the quarter, with an aggregate increase in market capitalisation of \$1.8trn.

US vertical fell hardest by revenue, down 13%, but multiples remained high since investors tend to perceive this as a segment with sticky customers. By contrast, US horizontal growth forecasts were higher as the near-term promise of AI and machine learning feeds expectations here and in SaaS. This perhaps explains why enterprise software topped the sector index for growth in Q2 – it was up by 5%.

Over time, we expect vertical growth forecasts to rise as they develop sophisticated AI-driven solutions that will be highly valuable to their customers.

VALUATIONS CONTINUE TO IMPROVE

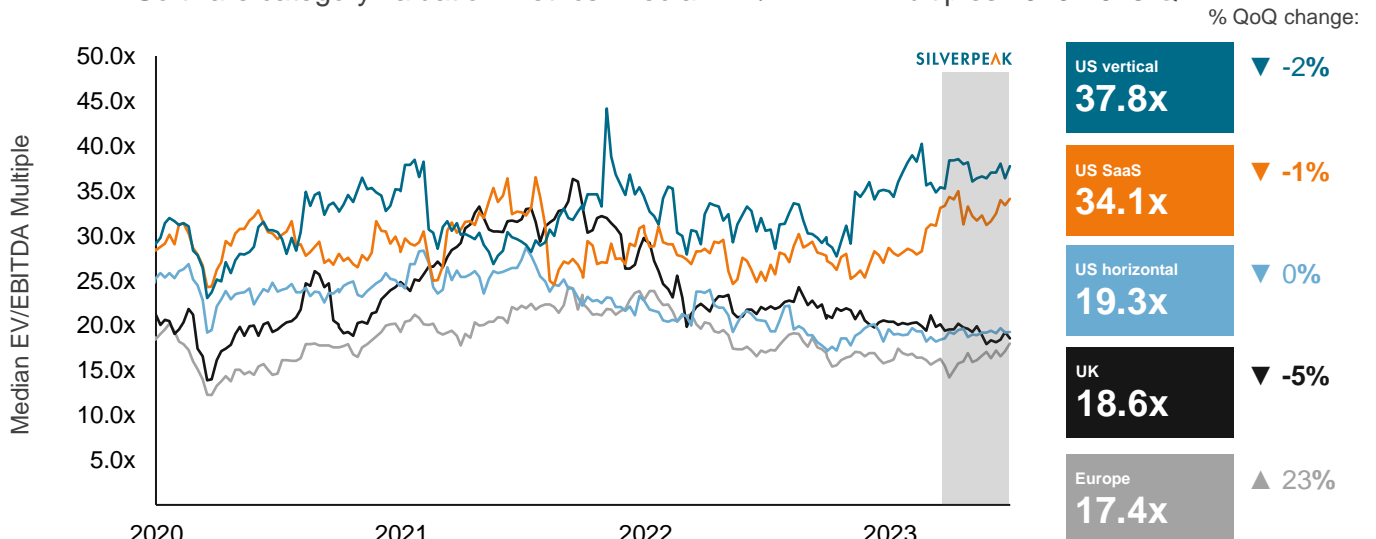
Software category valuation metrics: median EV/Revenue multiples 2020-2023 Q2²



QoQ performance improved for US SaaS and US vertical categories, albeit with a volatile start, as both dropped significantly within the first month of the quarter. Europe saw steady but strong growth, up 13% QoQ. The UK fell by 10% - UK businesses, such as Blackbird plc, Crossword Cybersecurity and Learning Technologies Group saw big declines (>40%).

EUROPE SEES A SIGNIFICANT INCREASE IN EV/EBITDA MULTIPLES

Software category valuation metrics: median EV/EBITDA multiples 2020-2023 Q2²

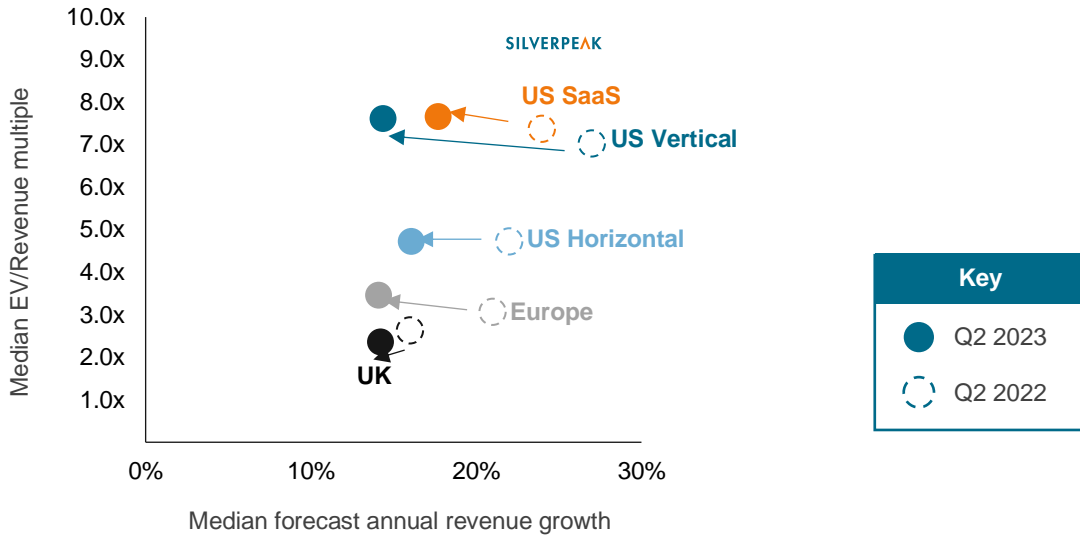


After a rise in Q1, US multiples stabilised, with very little change over Q2. Europe again showed a strong quarter growth of 23%, while the macro environment pulled down the UK (-5%). For example, Zoo digital is down -31% and D4t4 Solutions is down -28%.

² Source: Capital IQ, Silverpeak. Note: Q2 2023 multiples are taken at 30/06/23, LTM.

FORECAST ANNUAL REVENUE GROWTH RATES FALL ACROSS ALL CATEGORIES

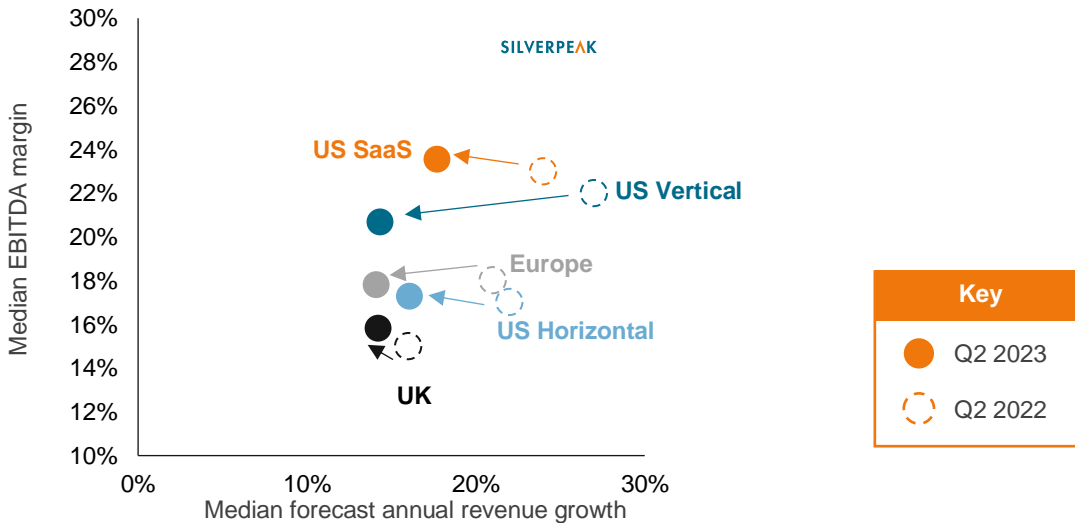
Median EV/Revenue multiple vs median forecast annual revenue growth³



Annual revenue growth forecasts over the past year have contracted significantly, with US vertical suffering the most with a 13% decrease. However, the UK only saw a 2% reduction compared with the 7% average, reflecting the UK’s lower forecasts in 2022. Median forecast annual revenue growth is now consistent across all geographies.

EBITDA MARGINS RESILIENT ACROSS ALL GEOGRAPHIES

Median EBITDA margin vs median forecast annual revenue growth³



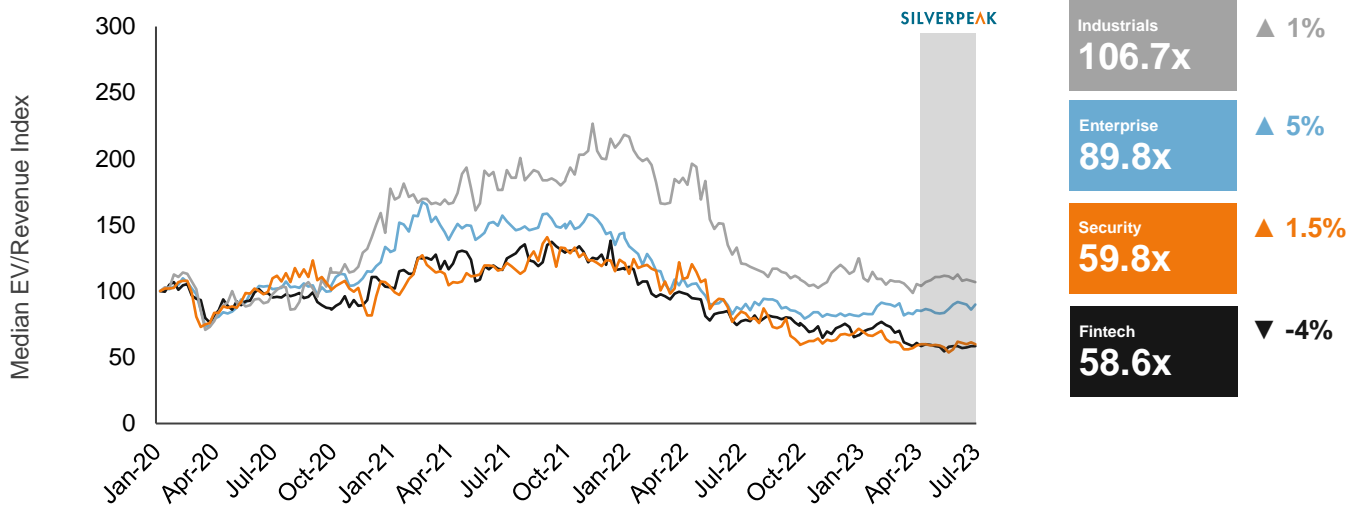
EBITDA margins were resilient and, in some cases, increased, even as annual revenue growth declined. On average, there was no margin change YoY. The UK and US SaaS segments have seen margins increase, whereas US vertical saw the largest decline of 1.3%.

³ Source: Capital IQ, Silverpeak

ENTERPRISE SOFTWARE SECTOR SHOWS STRONGEST GROWTH

Software sector valuation metrics: median EV/Revenue index 2020-2023 Q2⁴

% QoQ change:

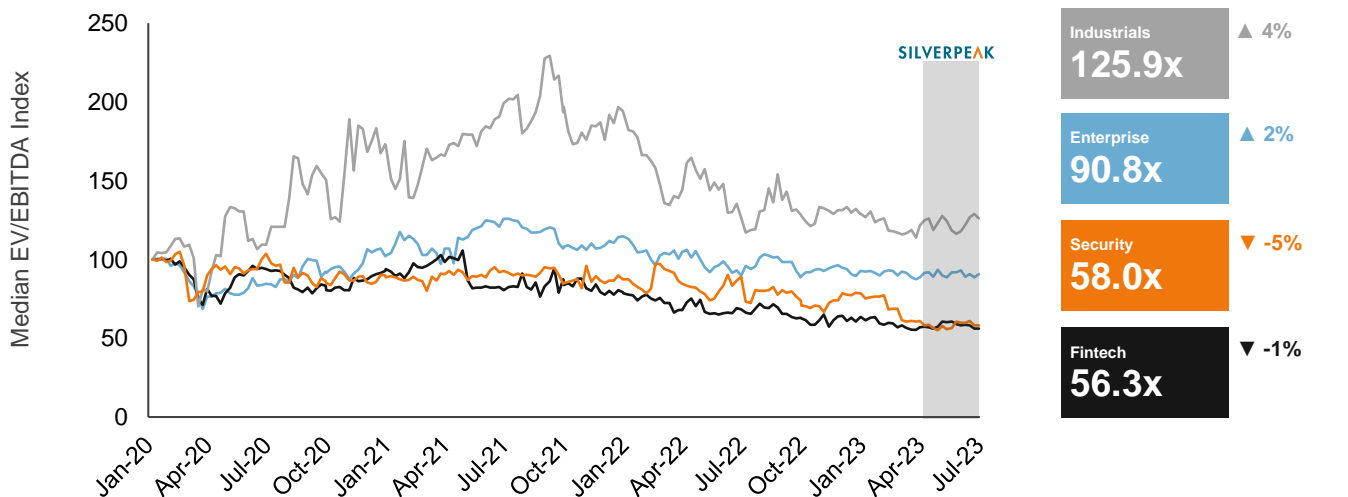


The enterprise software sector registered the highest median EV/Revenue growth in Q2, at 5%, while industrials retained the highest index value, growing at a more modest 1%. Fintech (-4%), saw the largest fall. Consumer trading and crypto platforms such as NAGA Group AG have been hit hard.

EV/EBITDA INDICES REMAIN STABLE

Software sector valuation metrics: median EV/EBITDA index 2020-2023 Q1⁴

% QoQ change:



EV/EBITDA indices remain stable across the board, with the enterprise index almost at pre-pandemic levels.

⁴ Source: Capital IQ, Silverpeak. Note: index is based at 01/01/2020, Q2 2023 multiples are taken at 30/06/23, LTM.

METHODOLOGY

We screen US, European and UK publicly listed software companies using the S&P Capital IQ database. We review and update our dataset (which consists of 485 companies, of which 431 are still public) on a quarterly basis to include newly listed and de-listed companies, and to ensure that existing companies remain pertinent to the report. We track a variety of financial indicators on a weekly basis, including EV/Revenue and EV/EBITDA multiples, forecast annual revenue growth, gross margin and EBITDA margin. We exclude companies with an EV of less than \$10m from the sample and disregard multiples below 1x and above 100x from median calculations.

COMPANY CLASSIFICATION

BY CATEGORY

To allow comparison, we group companies covered in the report into one of five categories.

(In brackets, the number of companies in each dataset.)

Europe (162)

Europe-headquartered, publicly quoted software companies. Excludes UK-headquartered companies.

UK (59)

UK-headquartered, publicly quoted software companies.

US SaaS (81)

US-headquartered, operating a Software as a Service (SaaS) model, with a gross margin of 75%+.

US Vertical (42)

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

US Horizontal (221)

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

BY SECTOR

We also classify companies according to common sectors⁵.

(In brackets, the number of companies in each dataset: either total or still public.)

Enterprise Software (195)

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

Fintech (79)

Software technologies that facilitate payments and financial services, such as insurtech, blockchain, mobile wallets.

Industrials (30)

Software for use in industrial sector applications, including energytech, constructiontech, design automation.

Security (65)

Companies that provide software solutions for data, applications, and IT environment, such as 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 has experience of over 300 completed 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

UK | JP | WW
April 2023



zodia
CUSTODY

Institutional digital asset infrastructure provider

\$36m Series A financing



SBI **scventures**
by Standard Chartered

AND UNDISCLOSED INVESTORS

EU | UK | FR
April 2023



SIPeARL

High-end CPU for HPC and data centres

€90 Series A financing



European Investment Bank European Innovation Council Fund

EVIDEN **arm** **FRANCE 2030**
an atos business

CH | PL | LU | US
December 2022



clearspace
today

In orbit servicing and space debris removal

\$29m Series A investment by



otb **swisscom**
Ventures

LUXEMBOURG FUTURE FUND LAKE STAR

iqt **興業資本**
HAPPINESS CAPITAL

AU | DE
December 2022



camplify

Travel P2P marketplace

€30m acquisition of



Paul Camper

UK | US
November 2022



AVVIO

Hotel technology platform driving direct bookings

Sale to



SHR backed by **Serent**
CAPITAL

UK | UAE | NO | US
October 2022



Vaarst
ROVCO

Autonomous subsea robotics technology

\$26M+ Series B investment by



Legal & General **equinor**

SDF **FUTURE PLANET CAPITAL** **iqt**

Martlet **Foresight**
FOR LEADERSHIP

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 haven't disappointed in a transaction whose size and industry-changing nature made the process complex and unusually long. We are delighted with the results which will allow SiPearl to deliver its first product next year

Philippe Notton, CEO of SiPearl

SILVERPEAK



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