

Routes to liquidity: full or partial exit

SILVERPEAK

M & A + FINANCING ADVICE

CMS

law·tax·future

APRIL 2024

SILVERPEAK LLP © 2024



Agenda

Trends in M&A and Financing

Tallat Mahmood, Silverpeak

How to achieve a successful exit for your business

Tom Jameson, CMS

First-hand experience of doing a transaction

Simon Merchant, Flagstone

Top tips for a strategic price

Paddy MccGwire, Silverpeak

Panel Q&A
Chaired by Paddy MccGwire

Tom Wrenn, ECI Partners
Simon Merchant, Flagstone
Tallat Mahmood, Silverpeak
Tom Jameson, CMS

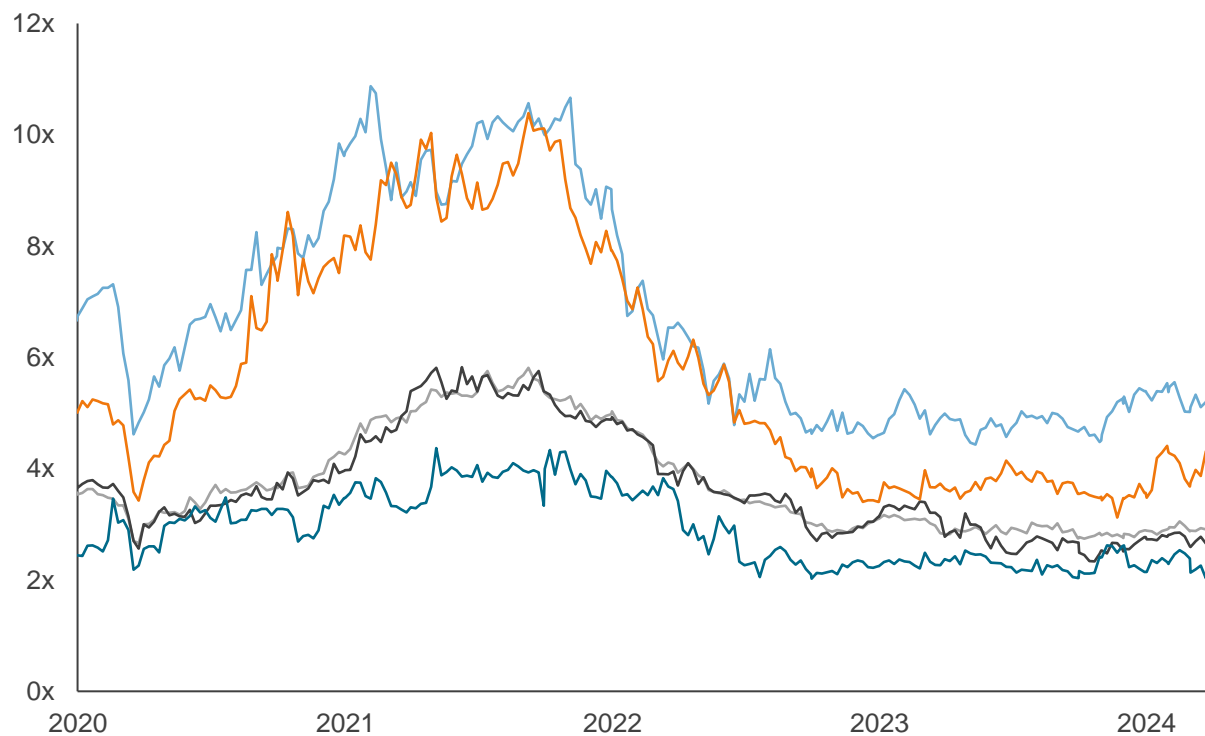
Networking drinks

Trends in M&A and financing

TALLAT MAHMOOD
SILVERPEAK, DIRECTOR
tm@silverpeakib.com

EV/Revenue multiples of publicly listed software companies have stabilised, below pre-Covid levels

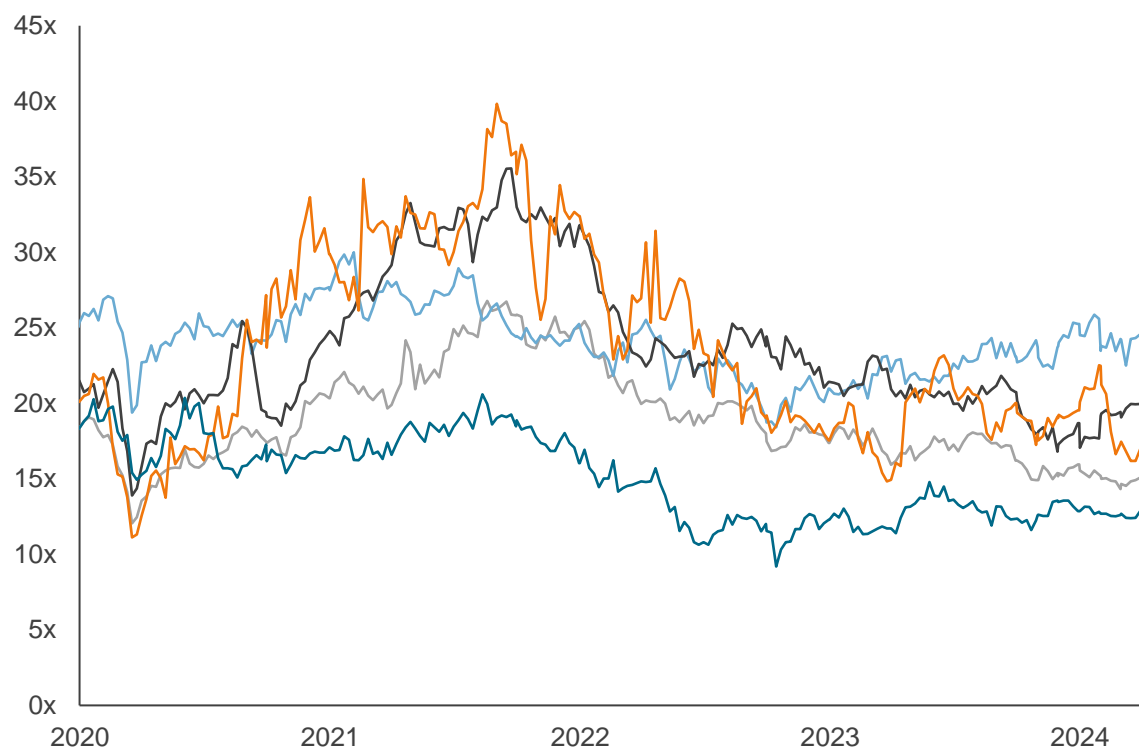
MEDIAN EV/REVENUE MULTIPLES 2020-2024 Q1



Europe	UK	DACH	NORDICS	US
3.00x	2.66x	2.38x	4.26x	5.46x
QoQ change				
3%	-4%	11%	19%	1%
YoY change				
6%	-5%	0%	17%	9%

EV/EBITDA multiples have been more stable throughout

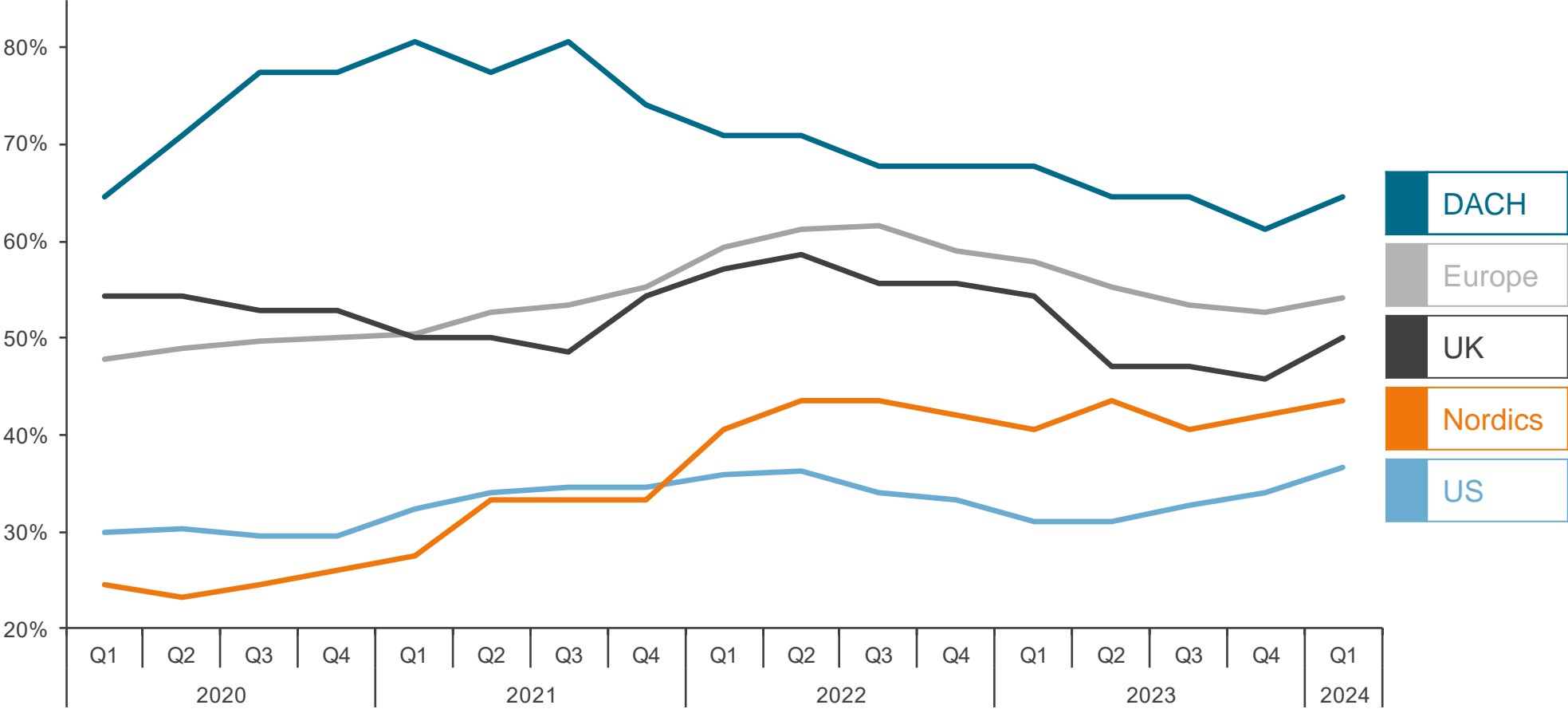
MEDIAN EV/EBITDA MULTIPLES 2020-2024 Q1



Europe	UK	DACH	NORDICS	US
15.09x	19.97x	12.88x	16.98x	24.57x
QoQ change				
-5%	7%	0%	-13%	-3%
YoY change				
-5%	-5%	10%	14%	11%

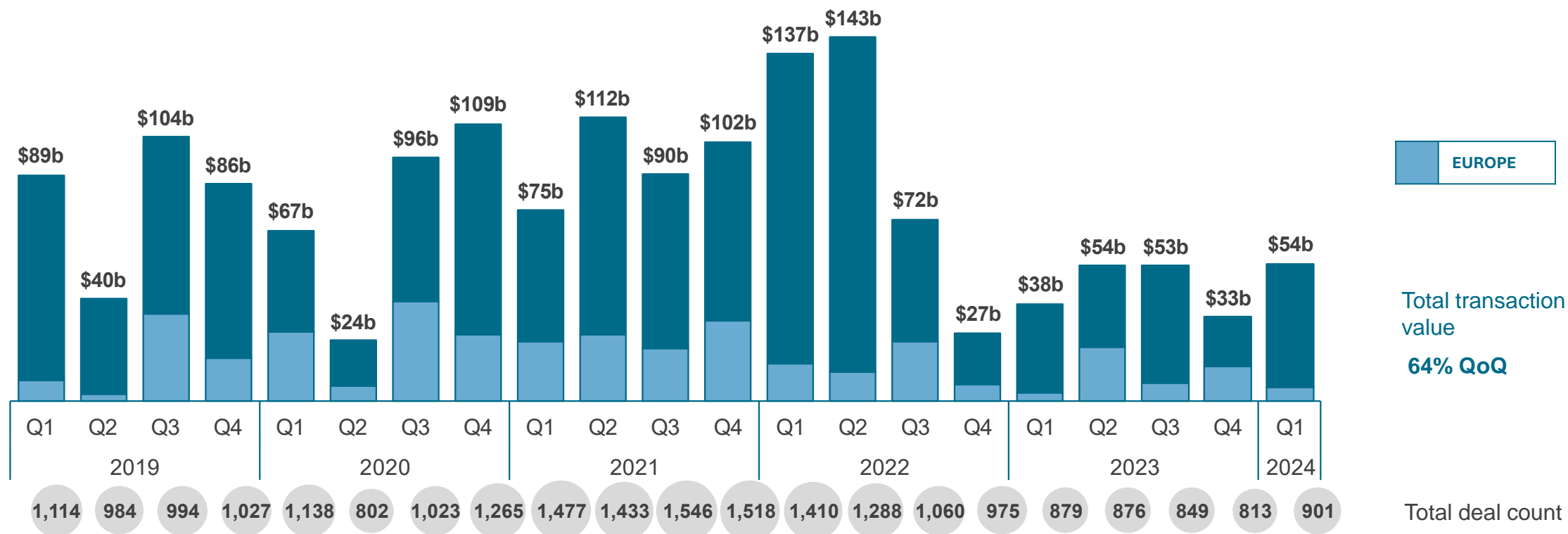
Europe as a whole continued to demonstrate profitability over US counterparts

% OF PROFITABLE COMPANIES



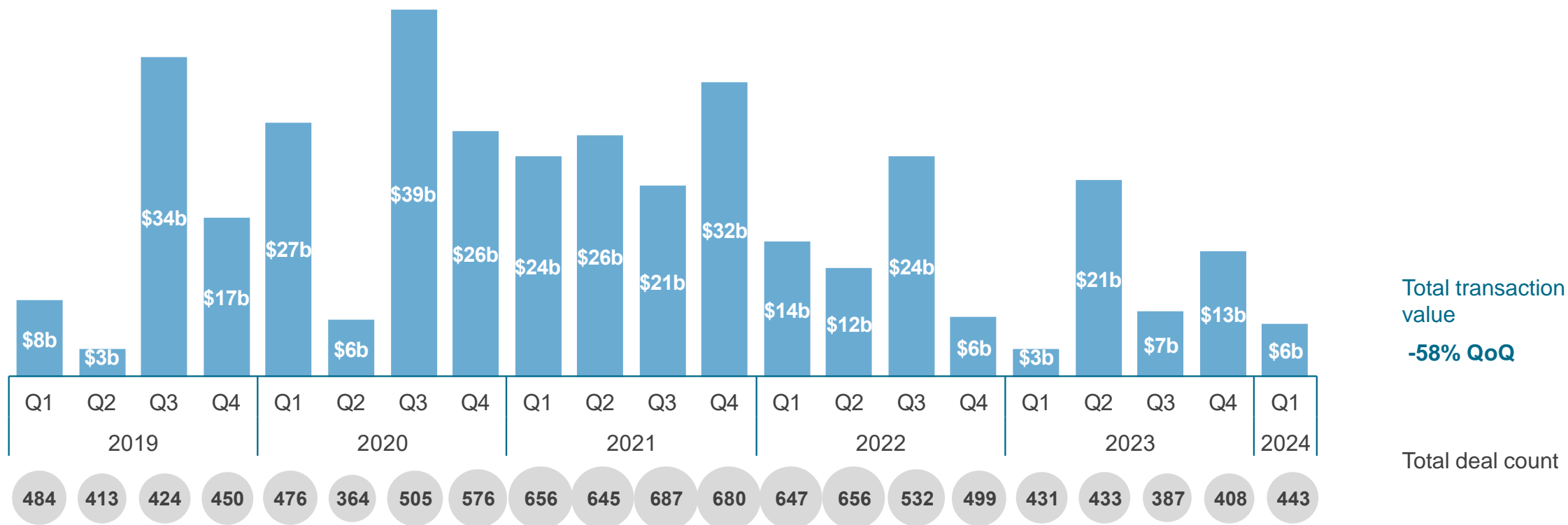
Q1 2024 experienced strong start for M&A, but is still below historic levels

Software M&A transaction value and deal count, 2019 – Q1 2024 (Europe & North America)



European software M&A transaction values dip but market remains lumpy

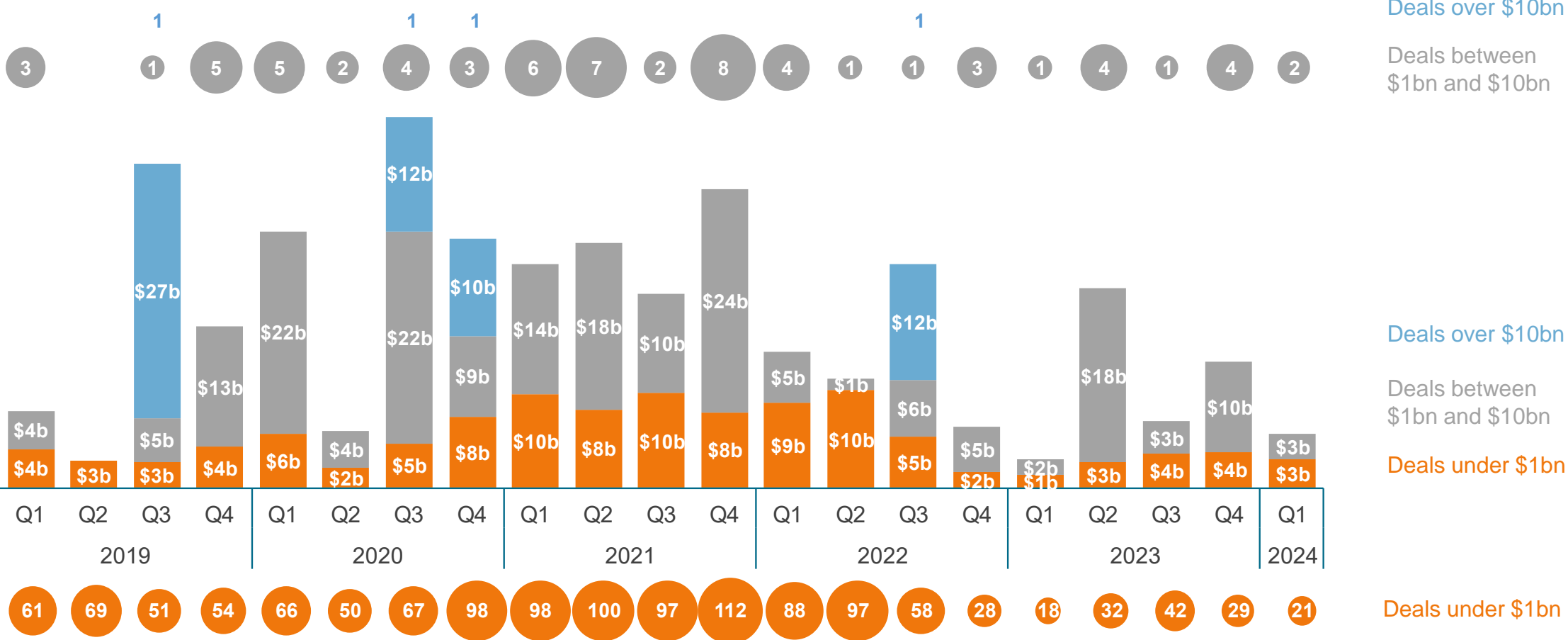
Software M&A total transaction value of European targets 2019 – Q1 2024 (Europe)



Source: CapitalIQ, Pitchbook. Only deals greater than \$5m shown here. \$ values shown are implied EV. Data as of 31/03/2024

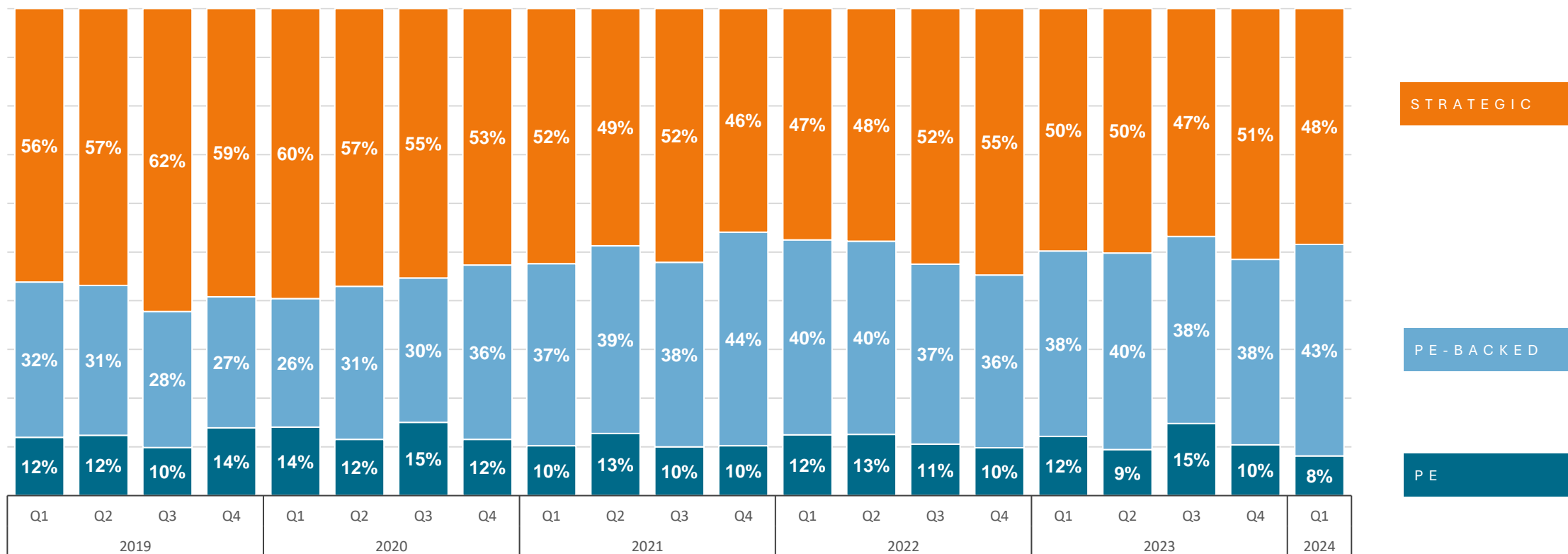
However, a stable mid-market within Europe

M&A total transaction value of European targets, deal breakdown 2019 – Q1 2024 (Europe)



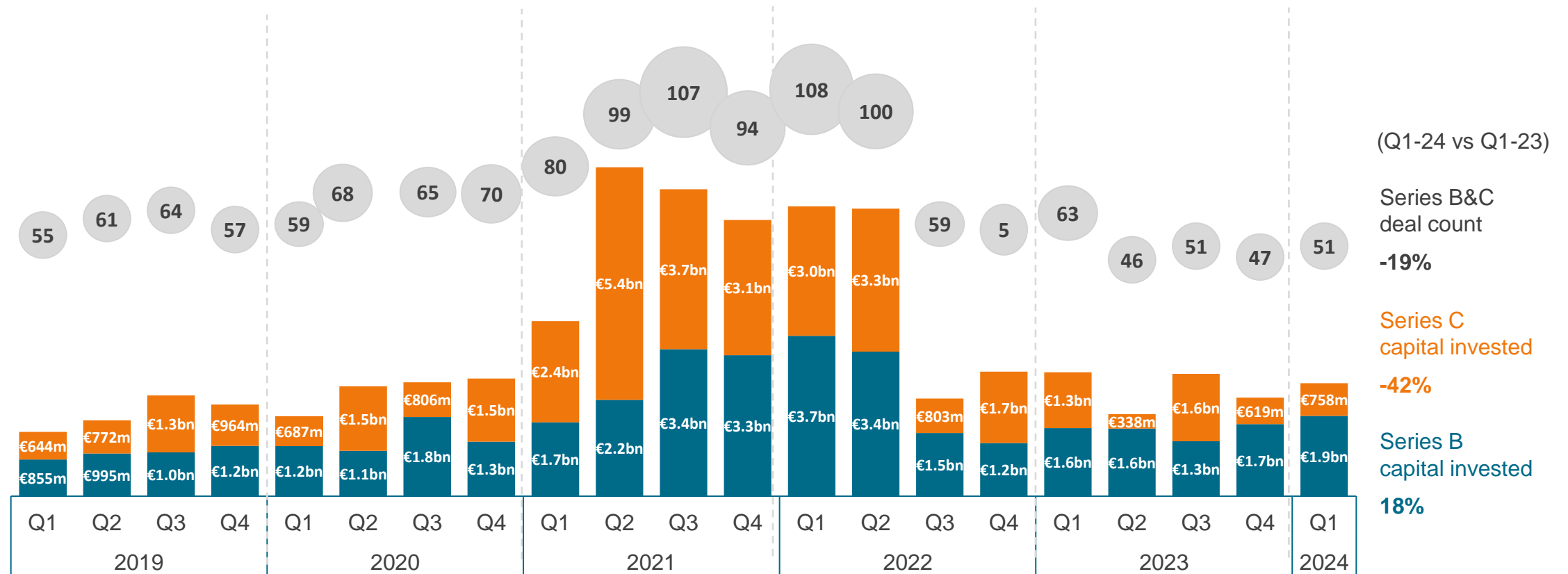
Some of the highest levels of PE-backed activity

Deal count by buyer type: Strategic, PE-backed or PE deals (Europe)



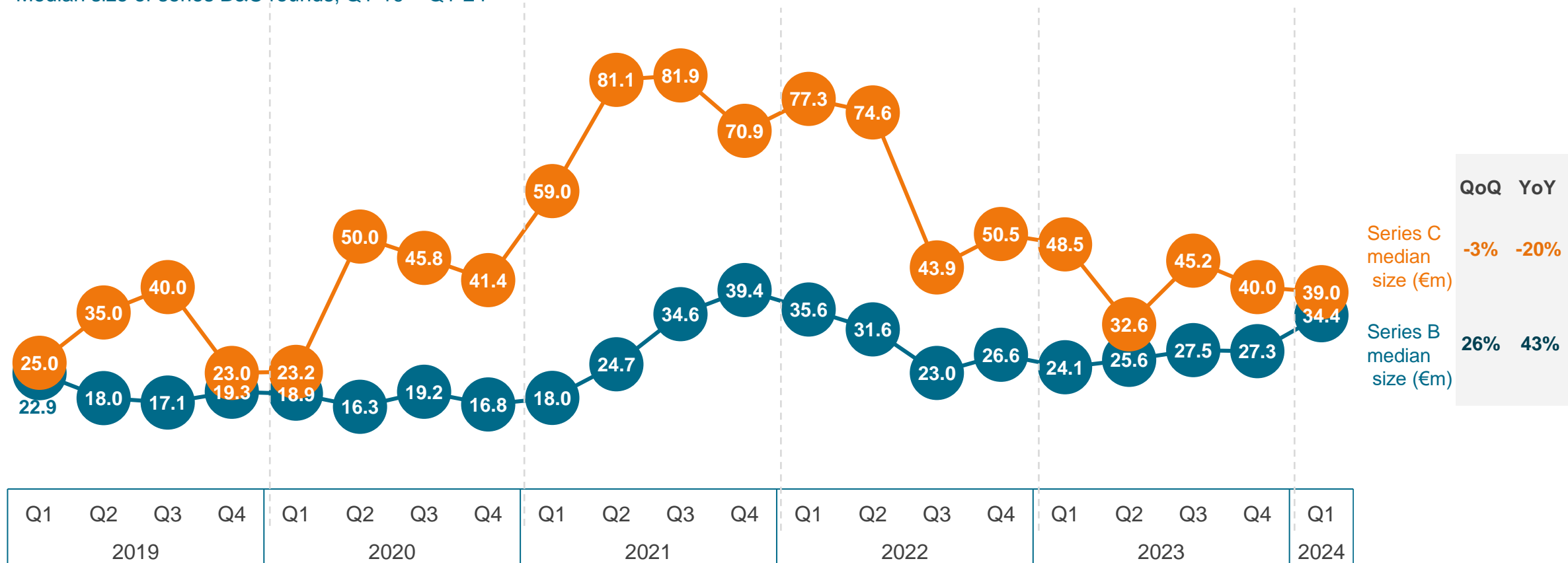
Series B total value stable, while Series C value dips to pre-pandemic levels

Series B&C total financing amounts, Q1-19 – Q1-24



Series B median deal size maintains an upward trajectory, but Series C remaining stable

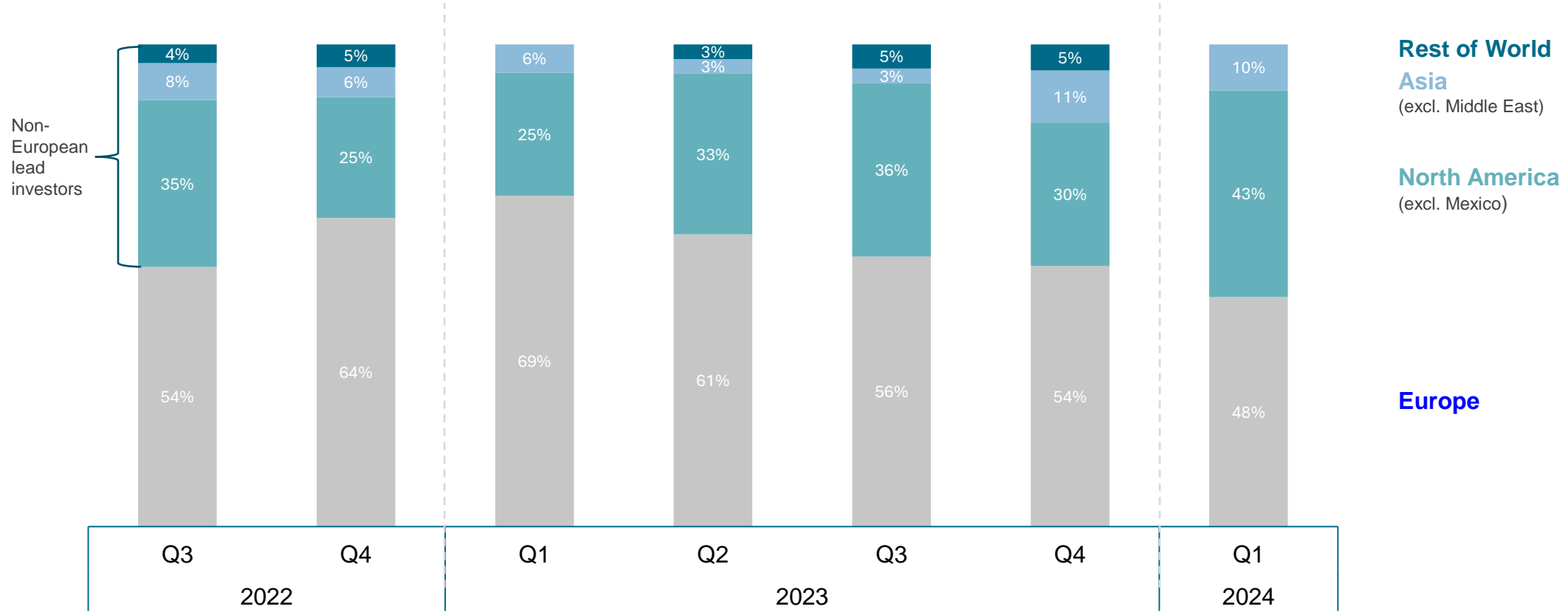
Median size of series B&C rounds, Q1-19 – Q1-24



Trend of US and Asia lead investors coming back to European deals

Geographic distribution of lead investors for Series B&C rounds, Q3-22 – Q1-24

DEAL COUNT BY GEOGRAPHY



How to achieve a successful exit

TOM JAMESON
CMS, PARTNER
tom.jameson@cms-cmno.com

What do we mean: Full and Partial Exits

Exits: Full vs. Partial

Full exit:

- Either sale of 100%, or a sale of majority shareholding / controlling interest;
- Typically IPO, PE or trade acquirer;

Partial exit:

- Sale of minority shareholding, with management remaining in control;
- Can involve both a primary and secondary;
- Traditionally PE acquirers, but now also VC;

Partial exits are on the rise:

- Traditional exit routes slow down: IPOs and PE / trade acquisitions
- Valuation gap and unattractive buyer price protections;
- Shareholder / founder pressures;
- New advisors with new funding opportunities (buy and build);
- Viable long-term strategy, rather than short-term value play;

Best advice to prepare for an Exit

Practical advice:

- Know your shareholder base
 - Cap table
 - Contact details
- Due diligence: VDD or “factbook”
- Find the internal “champion”

Legal advice:

- Drag along right
- Partial exits:
 - Constitutional documents
 - Pre-emption rights
 - Be selective with shareholders: confidentiality and execution ease
 - Employee incentive arrangements (EMI options and growth shares)
 - Tax matters (SEIS/EIS)
 - Regulatory and other third-party consents

My experience of transactions

SIMON MERCHANT
FLAGSTONE, CEO

Top tips for a strategic price

PADDY MccGWIRE
SILVERPEAK, MANAGING PARTNER
pm@silverpeakib.com

The three hats



BE CLEAR ON YOUR OBJECTIVES

The three hats

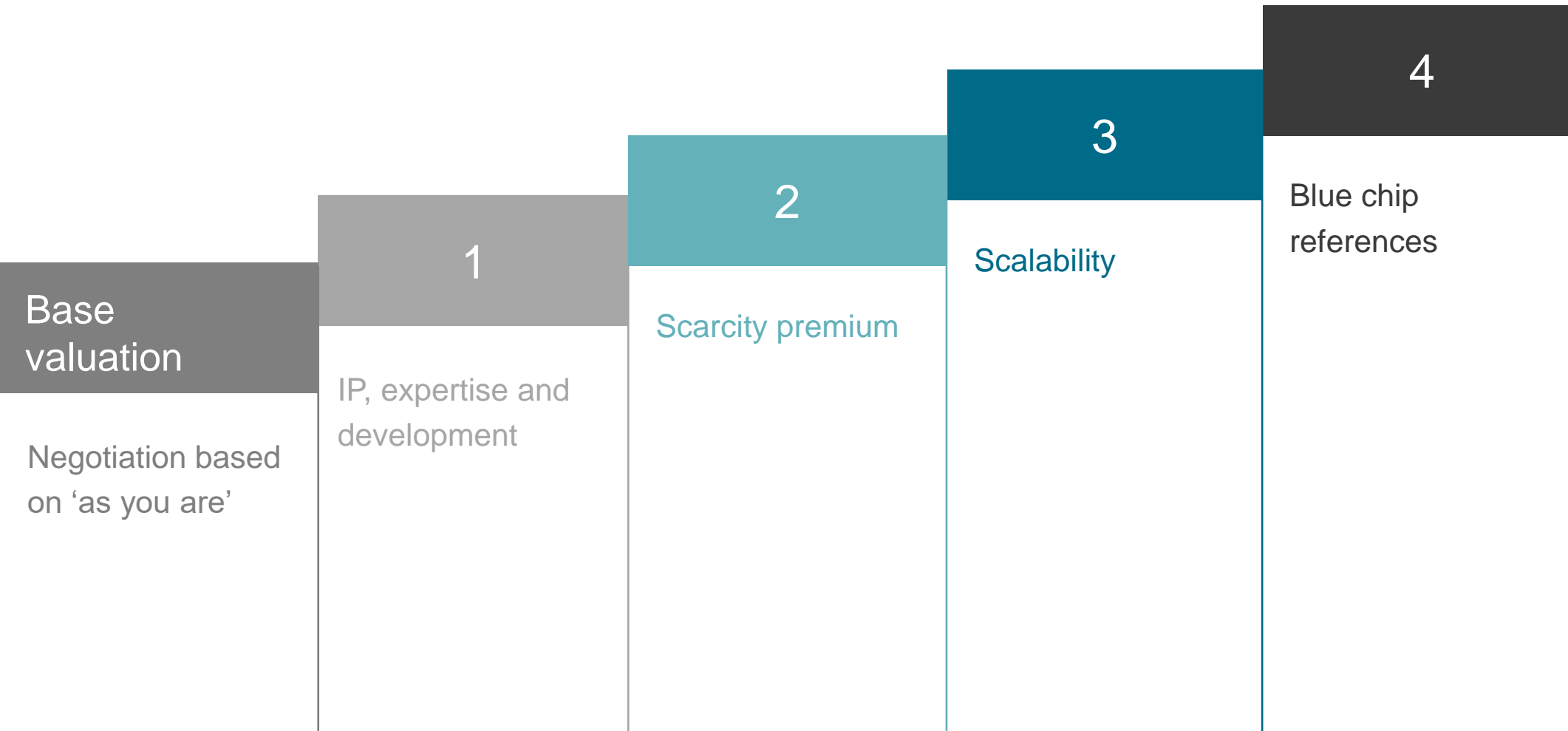


How to deliver strategic premium

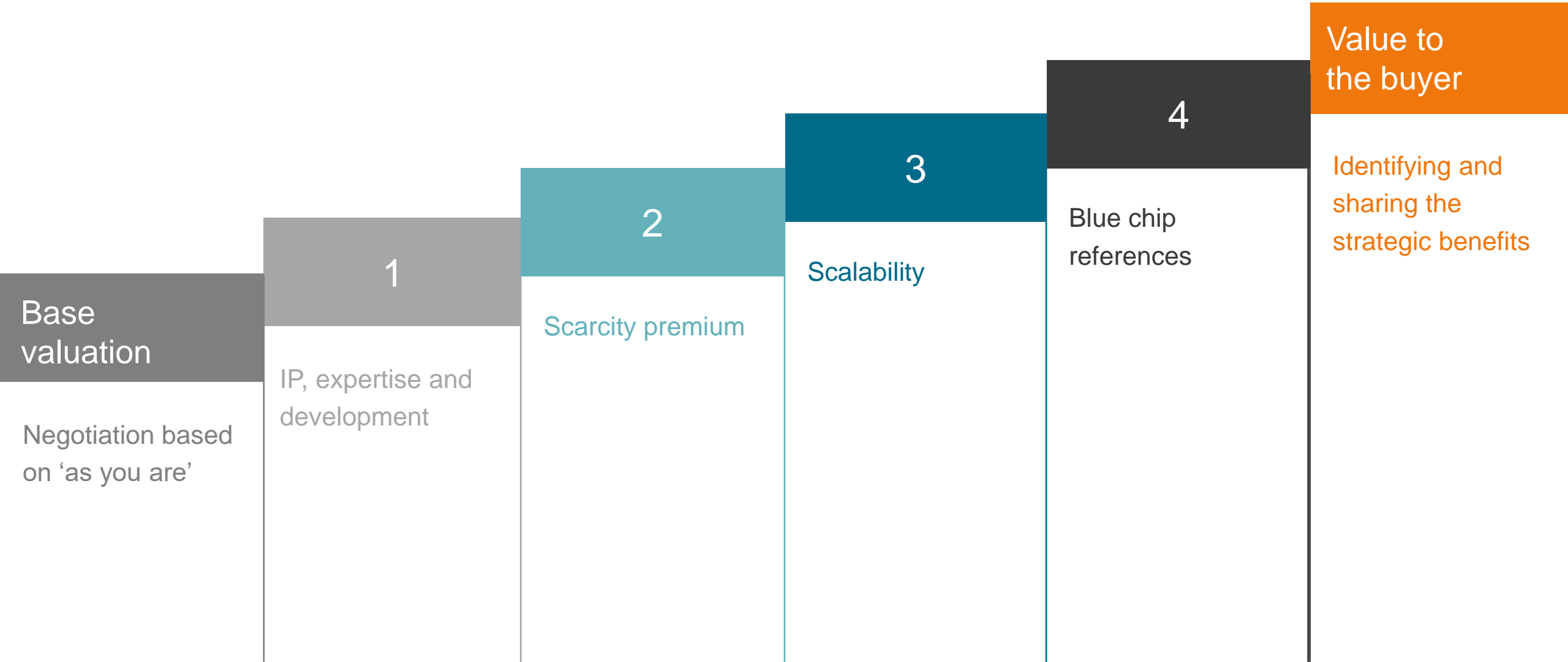
Base
valuation

Negotiation based
on 'as you are'

The key ingredients to change the narrative...



To...the value to the buyer



Value to the buyer

4

Blue chip references

3

Scalability

2

Scarcity premium

1

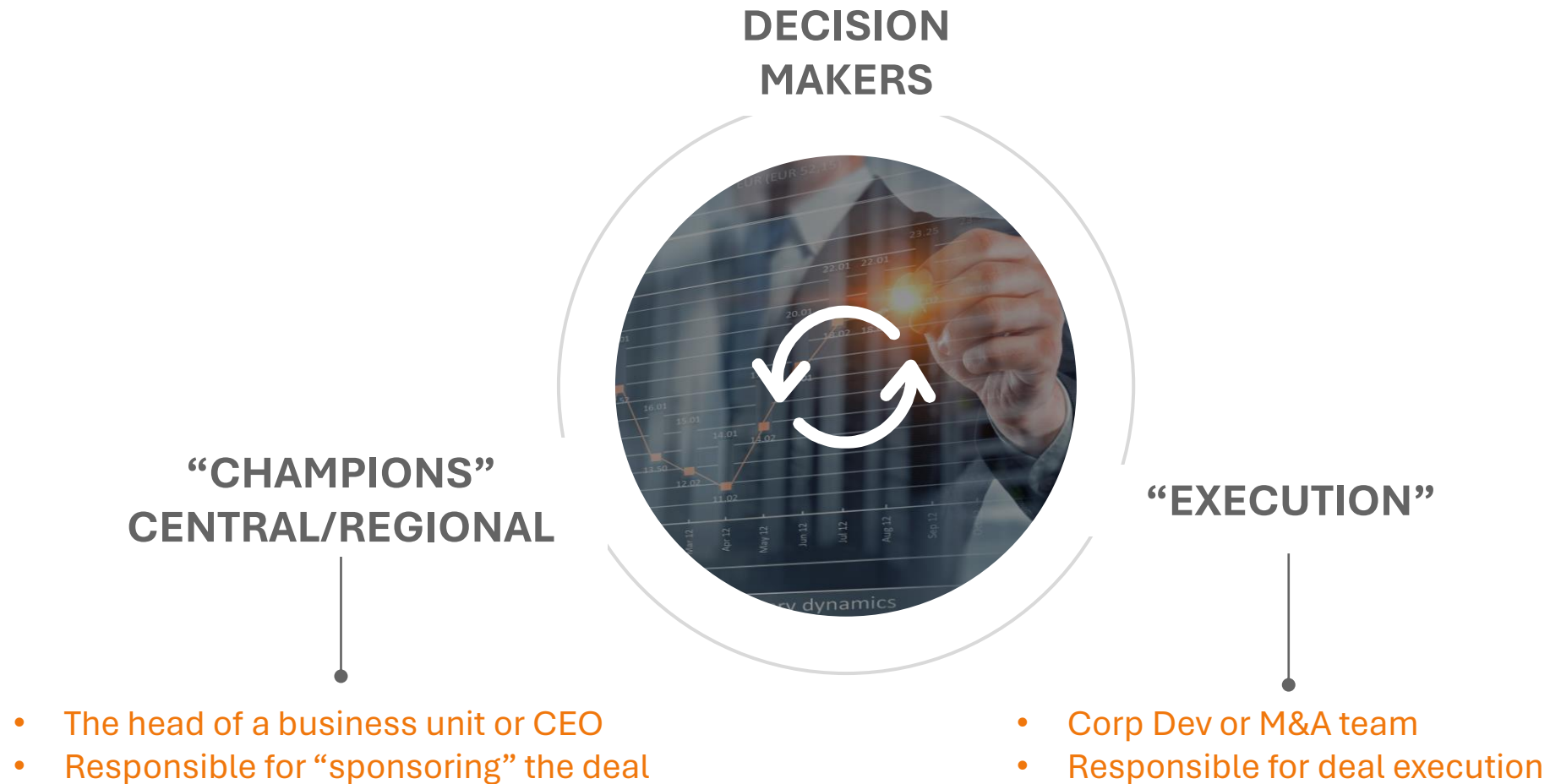
IP, expertise and development

Base valuation

Negotiation based on 'as you are'

Identifying and sharing the strategic benefits

Buyers' senior executives typically involved in acquisitions



Nuggets of wisdom when negotiating



IT'S NOT DONE UNTIL IT'S DONE

Panel Q & A

Paddy MccGwire, Silverpeak

Tom Wrenn, ECI

Simon Merchant, Flagstone

Tom Jameson, CMS

Tallat Mahmood, Silverpeak



Thank you

SILVERPEAK **CMS**
law · tax · future