



SILVERPEAK

technology
investment banking

Silverpeak Benchmark Report Q1 2017

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


CONFIDENTIAL | APRIL 2017

LONDON | PARIS | HAMBURG | MUNICH

Silverpeak's selected recent software experience

UK / UK

Blackbay
Empowering Mobile Workers



Logistics software

has been sold to


FP BLU JAY
FRANCISCO PARTNERS SOLUTIONS

Advisor to Blackbay

APRIL 2017

UK / US

silverlining
solutions



Employee performance optimisation software

has been sold to

Genesys

Advisor to Silver Lining Solutions

FEBRUARY 2017

Germany / China

hetras

Hotel management SaaS

has been sold to

Shiji Network
石基信息

Advisor to Hetras

AUGUST 2016

Germany / Germany

MHP
SOLUTION GROUP



Shipping logistic & foreign trade software solutions

has been sold to

Elvaston

Advisor to MHP Solution Group

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 GP



Airline cost management and profitability solution

has been sold to


Sabre

Advisor to Airpas Aviation

APRIL 2016

Germany / Netherlands

GENEVA-ID



Insurance software

has been sold to


Keylane
insurance & pension software

Advisor to GENEVA-ID

DECEMBER 2015

UK / Japan

ACT



Electronic ticketing software for transit, tourism and loyalty schemes

has been sold to

FUJITSU

Advisor to Smart Transactions Group

AUGUST 2015

UK / France

ACTIVUS



Health and personal protection insurance software

has been acquired by


cegedim

Advisor to Activus

JULY 2015

Mauritius / South Africa

digitata



BSS and analytics software for mooperators in emerging markets bile

has acquired control of

Rorotika

Advisor to Digitata

JULY 2015

Commentary

Highlights

- Valuations of US and European application software companies have recovered from the turbulence of H2 2016, with near all sectors exhibiting revenue and EBITDA multiple uplifts
- US SaaS alone showed a decline in TEV/Rev valuations, mirroring the drop in their expected revenue growth rates
- US Verticals (whose valuations have continued to rise) are now trading at near parity with US SaaS, followed by US Horizontals, UK Small and Mid and then Europe

Key Themes

- Private equity interest in the application software sector remains, though has waned relative to prior quarters

The number of Private Equity transactions has fallen c. 30%, with near no acquisitions of major interest, out of line with prior quarters

- While overall growth expectations remain positive, consensus revenue growth forecasts have moved in opposing directions for different categories; median growth estimates are up for US Vertical and European companies, down for US SaaS and UK Small and Mid and have flatlined for US Horizontals



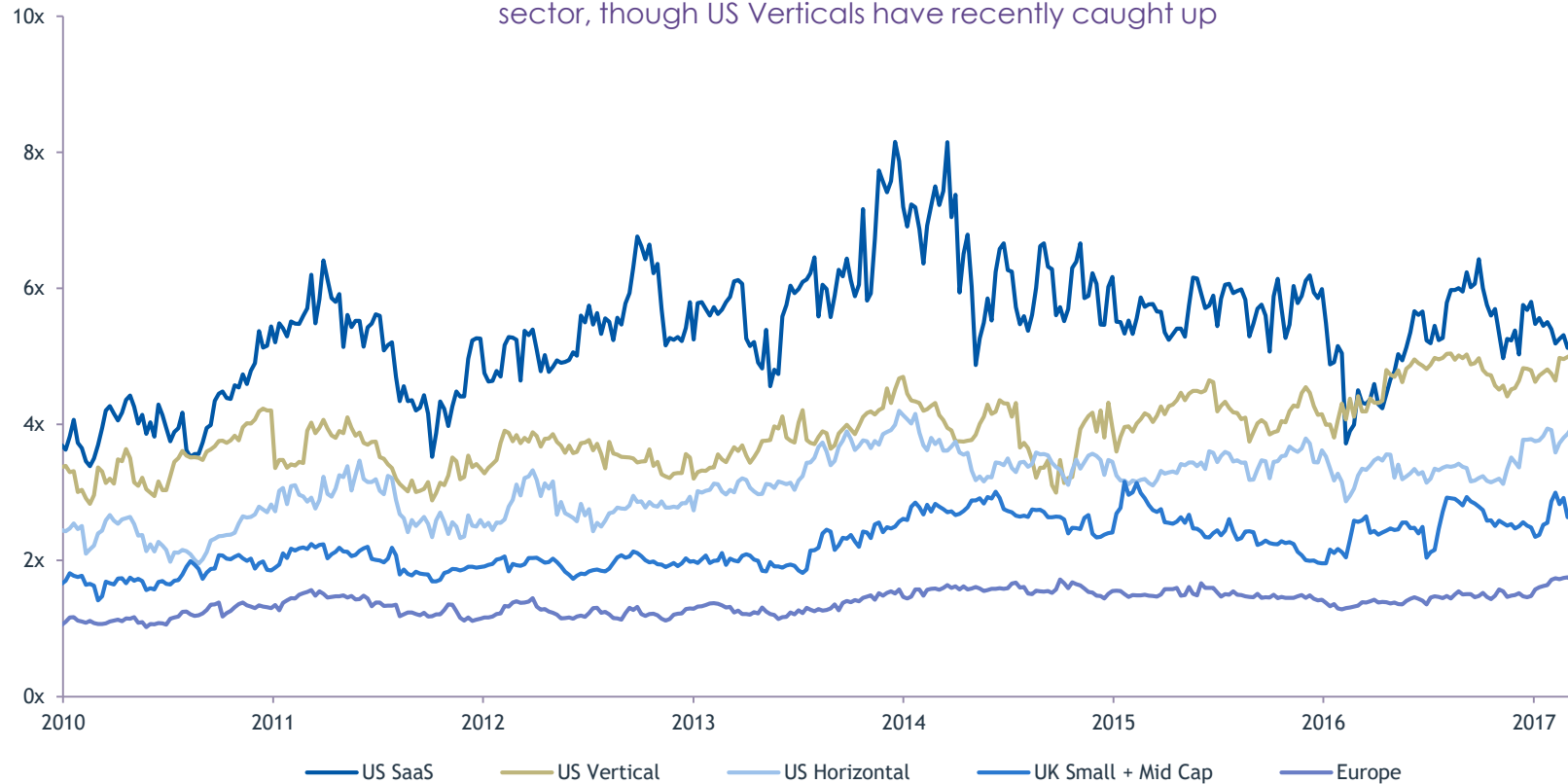
Report highlights

	Median revenue multiples ¹		Commentary
	Q4 2016	Q1 2017	
US SaaS	5.8x	-12% ↓ 5.1x	<ul style="list-style-type: none"> EV/Rev valuations for US SaaS companies continued to fall throughout the quarter, though still up 11% on this time last year This decrease in valuation is in line with the sharp drop in the sector's expected revenue growth rates, which fell by -5.8% to 18.8% quarter-on-quarter, a 23.6% decline, double the proportional decrease in valuations
US Vertical	4.8x	+3% ↑ 5.0x	<ul style="list-style-type: none"> Following a slight dip at the start of the quarter, US-Vertical valuations rose steadily, ending the period at TEV/Rev of 5.0x and TEV/EBITDA of 19.9x Notably, as with Q1 of 2016, US-Vertical TEV/Rev valuations are now at near parity with those of US SaaS companies
US Horizontals	3.8x	+5% ↑ 4.0x	<ul style="list-style-type: none"> US-Horizontals saw valuations flatline this quarter, with TEV/Rev valuations rising by only +0.2x to +4.0x, in line with a relatively unchanged median revenue growth rates (rising from 4.1% in the prior quarter to 4.2%)
UK Small & Mid	2.6x	+4% ↑ 2.7x	<ul style="list-style-type: none"> UK application software valuations experienced a slight increase at the start of the quarter before correcting, with current revenue and EBITDA multiples at 2.7x and 16.1x respectively, unchanged from 2016-end numbers (within +0.1x) Revenue growth expectations declined significantly to 11.6%, a 21.6% reduction quarter-on-quarter
Europe	1.5x	+23% ↑ 1.8x	<ul style="list-style-type: none"> European company valuations saw a slight yet steady increase this quarter, with TEV/Rev valuations rising up from c. 1.5x where they had flatlined for the past two years

Software sector valuation metrics: revenue multiples

Median Revenue Multiple

Median US SaaS company revenue valuation multiples continue to outperform the rest of the application software sector, though US Verticals have recently caught up



Median revenue multiples¹:

Q1 2017

- US SaaS 5.1x
- US Vertical 5.0x
- US Horizontal 4.0x
- UK Small & Mid 2.7x
- Europe 1.8x

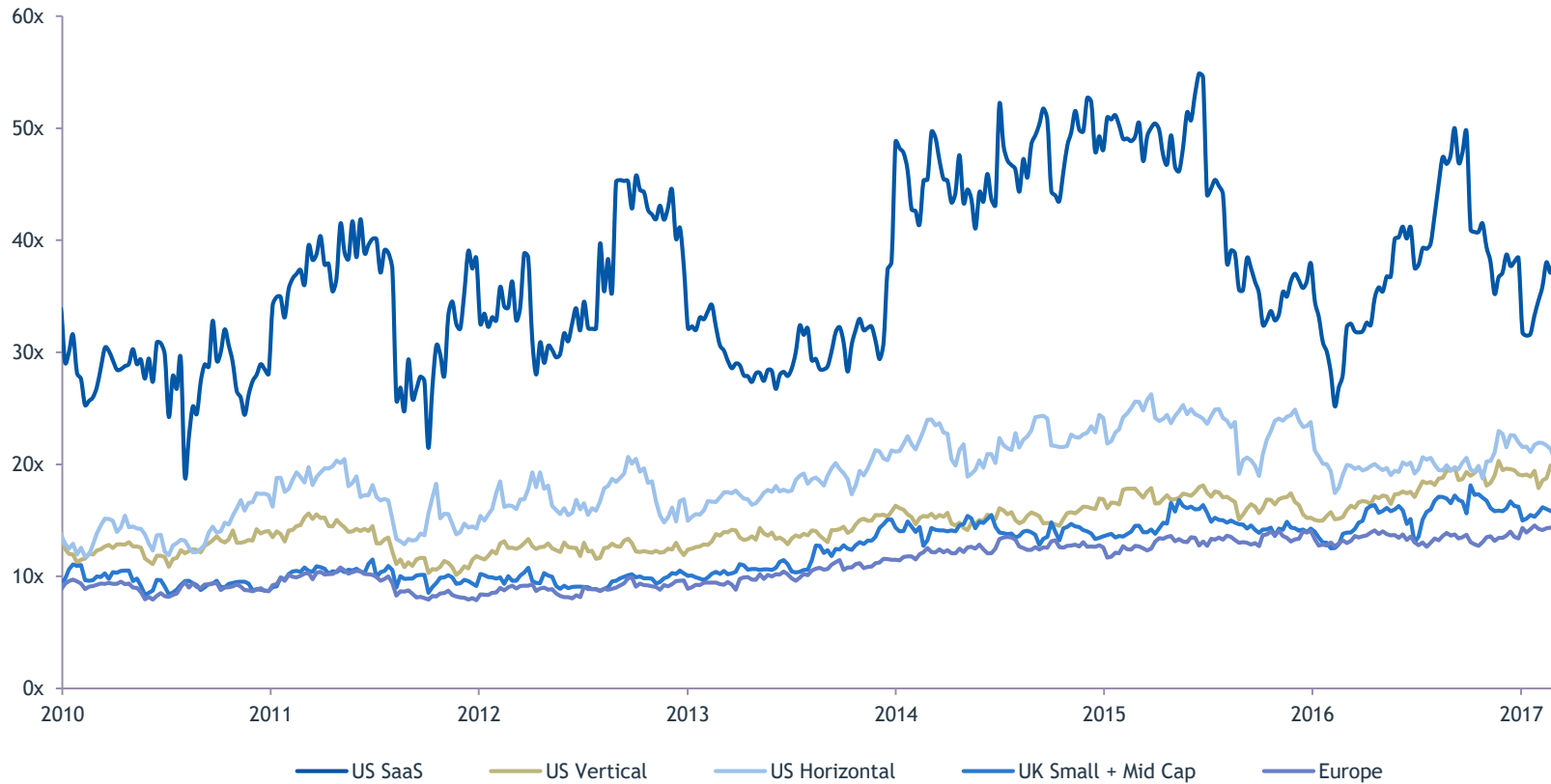
1. As at 31st March, 2017

Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics: EBITDA multiples

Median EBITDA Multiple

SaaS companies are relatively early in their corporate evolution; their EBITDA valuation multiples are highly volatile



Median EBITDA multiples¹:

Q1 2017

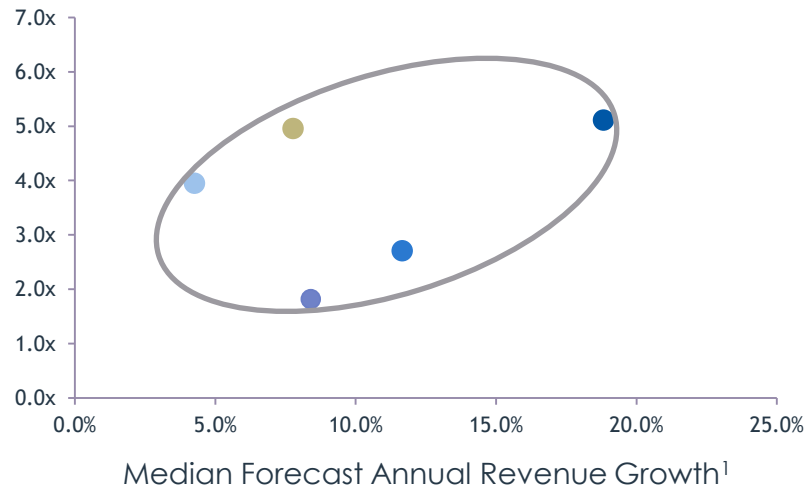
- US SaaS 40.3x
- US Vertical 19.9x
- US Horizontal 19.4x
- UK Small & Mid 16.1x
- Europe 15.1x

1. As at 31st March, 2017

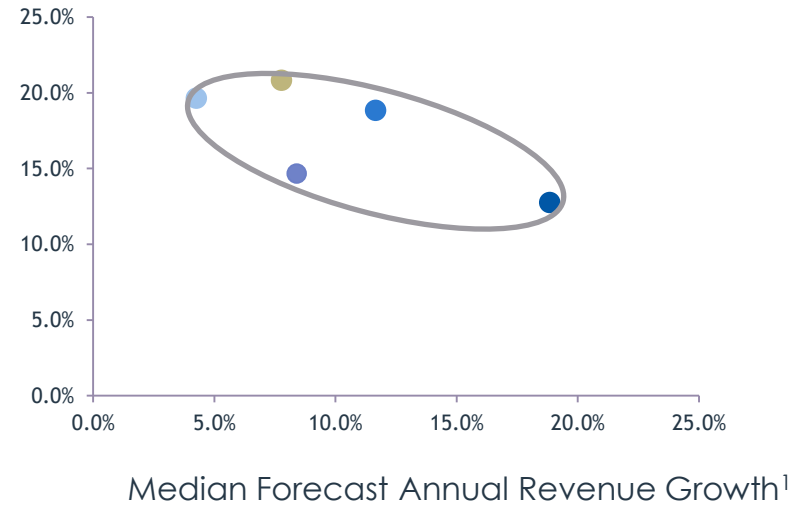
Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics¹: summary

Median Revenue Multiple¹



Median EBITDA Margin¹



● US SaaS ● UK Small + Mid Cap ● US Horizontal ● US Vertical ● Europe

1. As at 31st March, 2017

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

LONDON | PARIS | HAMBURG | MUNICH 7

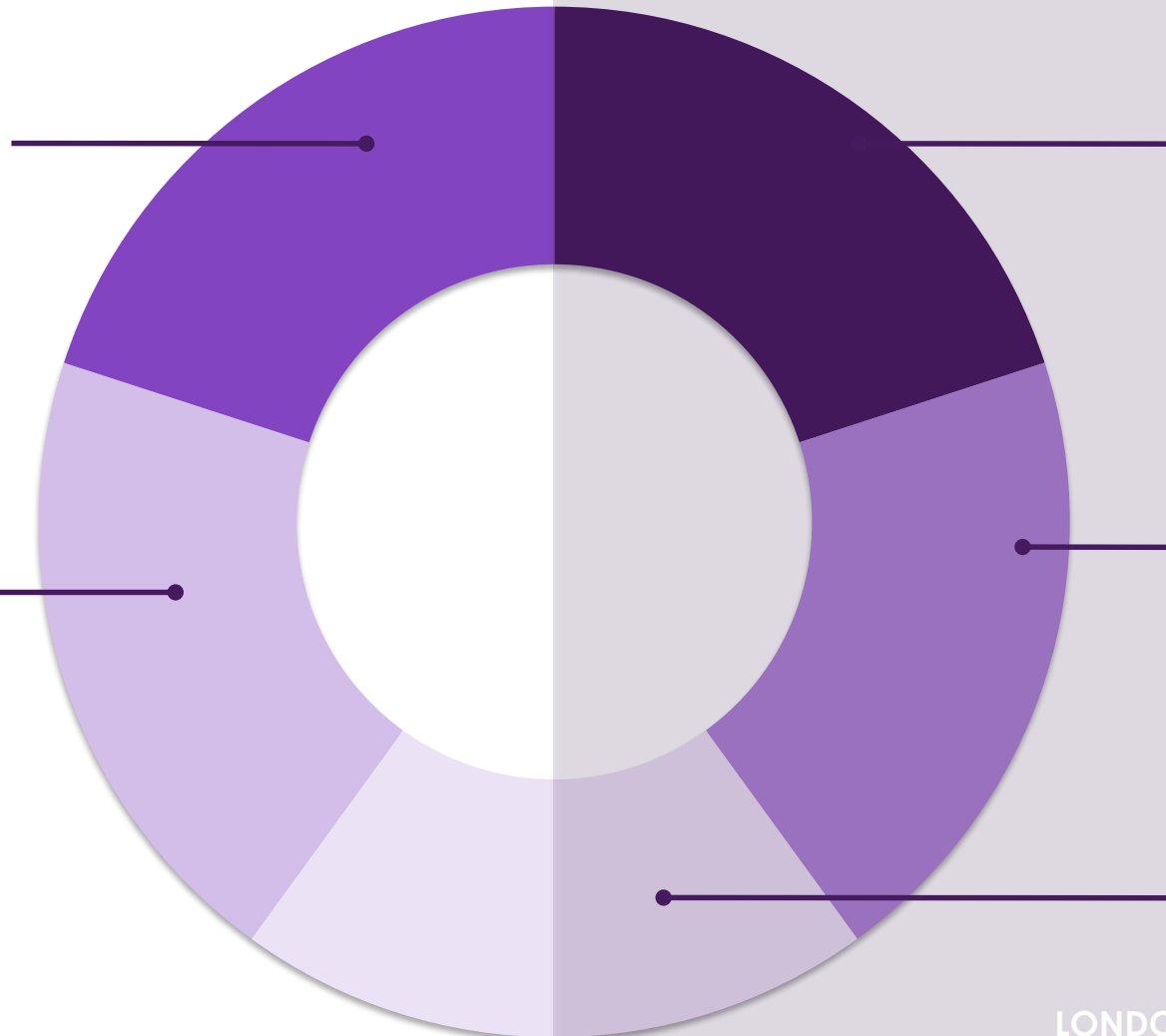
Company categorisation

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 publically quoted application software companies

*We've grouped UK companies in this manner because sample sizes do not permit a breakdown into horizontal vs. vertically focused companies.



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

US Vertical – US publically 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 publically quoted application software companies selling solutions across a wide range of verticals

Paddy MccGwire

pm@silverpeakib.com
+44 (0) 20 7659 0310

Sarah Al-Hussaini

sah@silverpeakib.com

Silverpeak LLP

17 Hanover Square
London W1S 1BN
United Kingdom
www.silverpeakib.com

Disclaimer

The information contained in this document has been compiled by Silverpeak LLP trading as 'Silverpeak technology investment banking' ("Silverpeak") and includes material obtained from published sources which Silverpeak use regularly but has not been verified. No reliance may be placed for any purposes whatsoever on the contents of this document or on its completeness. No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Silverpeak or by any of its partners, employees, agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any other oral information made available and any such liability is expressly disclaimed. The information contained in this documents should not be construed as an offer or solicitation to buy or sell any financial securities.

This document and its contents may not be reproduced, redistributed, or modified without the prior written consent of Silverpeak.

SILVERPEAK

