



## Silverpeak Benchmark Report - Q3 2016

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

**SILVERPEAK**

technology  
investment banking



# Commentary

## Overview

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Overall both US and European equity markets improved this quarter. US SaaS revenue valuation multiples continue to outperform the rest of the application software sector (as they have done since 2010 with the sole exception of Q1 2016), followed by US vertical's, US Horizontals, UK Small and Mid and then Europe.

Private equity remains interested in the application software sector. Notable examples this quarter include EQT Partners closing its **\$1.1bn** acquisition of IFS, KKR's acquisition of Epicor Software for an undisclosed amount and LDC's acquisition of ByBox for **\$137m**. Also of note this quarter is Japan-based Line's IPO (the largest of 2016) which raised **\$1.3bn**.

Overall growth expectations are positive, with consensus growth forecasts either up or stable from last quarter for all categories apart from US Vertical.



# Commentary

## Report highlights

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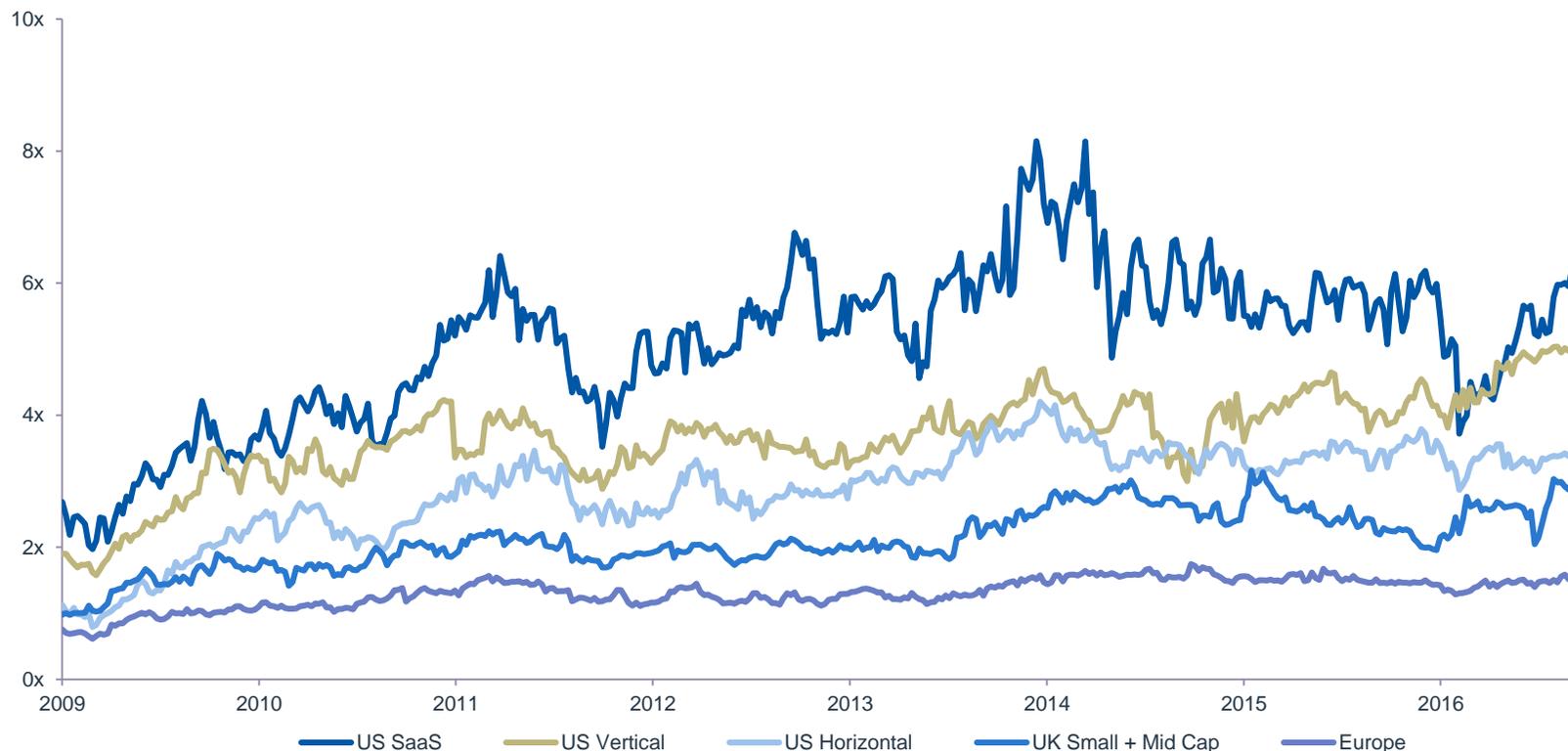
- After a trough at the start of 2016 (min = **3.7x**), US SaaS companies continued their recovery, ending Q3 at TEV/Rev **6.4x**, **+1.2x** up from last quarter, far exceeding the Q3 2015 figure of **4.3x**
- US-Vertical's valuations have stabilised at **5.0x**, **+0.1x** up from last quarter, which is the highest since our benchmark report began in July 2008 (despite EBITDA margins and growth expectations down by **-2.8%** and **-3.2%** to **17.6%** and **6.2%**, respectively)
- US-Hizontals are also stable at **3.2x** (**+0.1x** up from last quarter), with growth expectations holding at **3.0%**
- UK application software companies' valuations are up by **+0.8x** to **2.8x**, buoyed by the pound's post-Brexit decline, with growth expectations also increasing by **2.4%**
- European companies continue to show stable yet low valuations (TEV/Rev **1.5x**)



# Software sector valuation metrics: revenue multiples

Median Revenue Multiple

Median SaaS company revenue valuation multiples continue to outperform the rest of the application software sector



Median revenue multiples<sup>1</sup>:

Q3 2016

- US SaaS 6.4x
- US Vertical 5.0x
- US Horizontal 3.2x
- UK Small & Mid 2.8x
- Europe 1.5x

1. As at 30<sup>th</sup> September, 2016

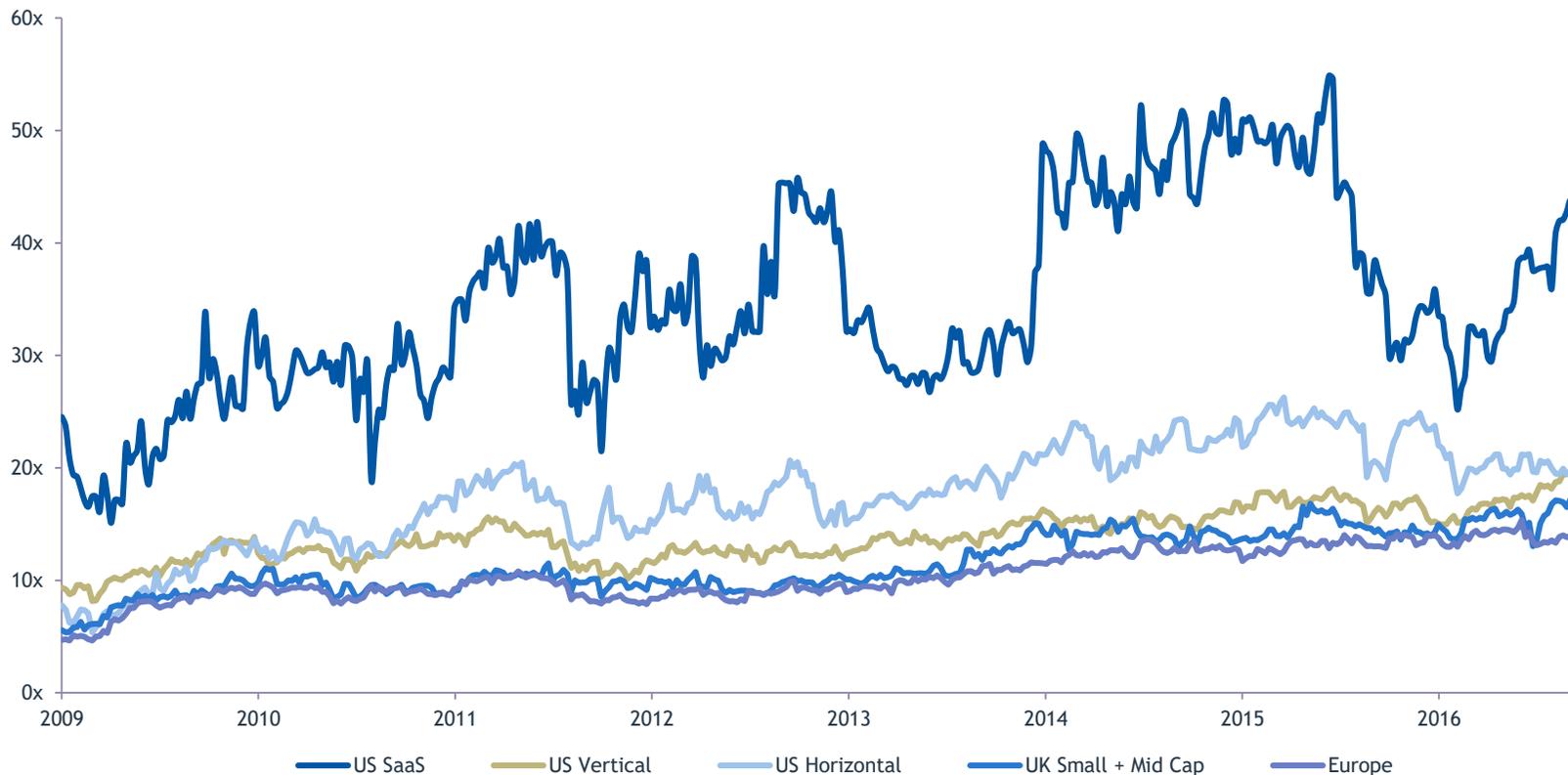
Source: Silverpeak / S&P Capital IQ



# 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 multiples<sup>1</sup>:

Q3 2016

- US SaaS 43.3x
- US Horizontal 20.6x
- US Vertical 19.3x
- UK Small & Mid 16.6x
- Europe 14.4x

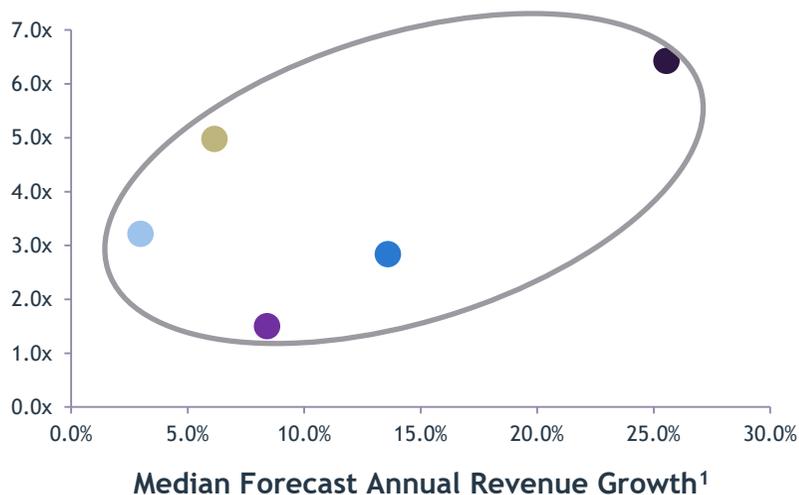
1. As at 30<sup>th</sup> September, 2016

Source: Silverpeak / S&P Capital IQ

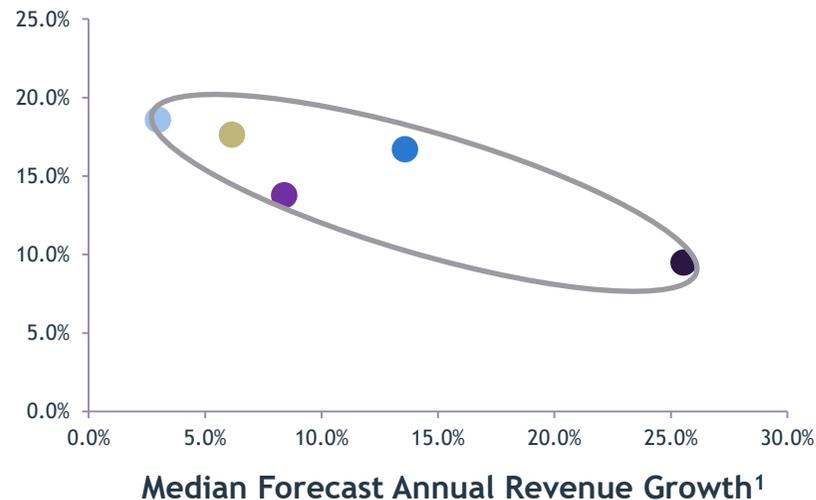


# Software sector valuation metrics<sup>1</sup>: summary

**Median Revenue Multiple<sup>1</sup>**



**Median EBITDA Margin<sup>1</sup>**



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

1. As at 30<sup>th</sup> September, 2016

**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



# Notes

## Company categorisation

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

- **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 publically quoted application software companies
- **Europe** - European publicly 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.*



# Silverpeak's recent software experience

UK / US

**MAGIC PONY TECHNOLOGY**

Machine learning for video processing

has been sold to



Advisor to Octopus - investor in Magic Pony Technology

JUNE 2016

UK / Japan

**ACT**

Electronic ticketing software for transit, tourism and loyalty schemes

has been sold to

**FUJITSU**

Advisor to Smart Transactions Group

AUGUST 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

UK / France

**ACTIVUS**

Health and personal protection insurance software

has been acquired by

**cegedim**

Advisor to Activus

JULY 2015

UK / Hong Kong

nTwine 

orchestration SaaS for Unified CNext-genommunications

has been acquired by

**PCCW Global**

Advisor to Syntelligence

JUNE 2015

UK / UK

**artesian**

Workflow software for B2B sales persons

Venture debt & equity financing

**KREOS CAPITAL** 

Advisor to Artesian

MAY 2015

Poland / Germany

**k. kontomierz**  
Oblicza korzyści

API enabling read-only access to bank accounts for KYC procedures

has been acquired by

**Kreditech**  
DIGITAL LENDING

Advisor to Kontomierz

JANUARY 2015

Portugal / US

**anubisnetworks**

Cloud based, real-time threat detection platform

has merged with

**BITSIGHT**

Advisor to Anubis Networks

OCTOBER 2014

US & France / Finland & France

**commerce guys**

Open source e-commerce software

Series-B Financing

**HI INOV**  
DENTRESSANGLE INITIATIVES

\$7,300,000  
Advisor to Commerce Guys

JUNE 2014

Netherlands / UK

**ticketscript**  
sell more

Cloud-based event ticketing and management software

Growth Equity Financing

**FPE**  
CAPITAL

\$11,800,000  
Advisor to Ticketscript

MAY 2014

## Contact

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