

Silverpeak Benchmark Report Q3 2018

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



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Overview



// SELECTED RECENT SOFTWARE EXPERIENCE

// REPORT HIGHLIGHTS

// METRICS : REVENUE MULTIPLES

// METRICS : EBITDA MULTIPLES

// METRICS : SUMMARY

// COMPANY CATEGORISATION

UK / UK

Public bus smart ticketing & cloud management platform

Investment by

October 2018

UK / UK

Autonomous vehicle software

Investment by

September 2018

Germany / Germany

SaaS knowledge management solutions

Sale

July 2018

US / France

Software for multi public cloud data management

Investment by

April 2018

US / Luxembourg

Investment in

Social media analytics & monitoring software

January 2018

Germany / Germany

SaaS business e-commerce middleware platform

Sale of majority stake to

October 2017

UK / US

Payment software for the hospitality sector

Sold to

October 2017

Germany / Germany

POS Payment specialist

Sale of controlling stake to

October 2017

UK / UK

Fleet management technology & software

Strategic advice buyside

June 2017

Germany / Germany / US

Investment by

Cognitive insight platform

Advisor to Genui

May 2017

Key Takeaways

01

US SaaS growth forecasts are up 13% QOQ. Their revenue multiples recovered to Q2 closing level of 7.6x at the end of the period having continued the Q2 correction which bottomed out at 7.0x

02

US Horizontal and US Vertical revenue growth expectations fell by 18% and 13% QOQ respectively. Their revenue multiples remained trading at similar levels during most of the quarter, ranging from 4.4x to 4.8x

03

UK Small & Mid revenue growth forecasts substantially increased by 35% QOQ. Their revenue multiples reached another peak during Q3 of 4.3x continuing the upward momentum seen since the start of the year

04

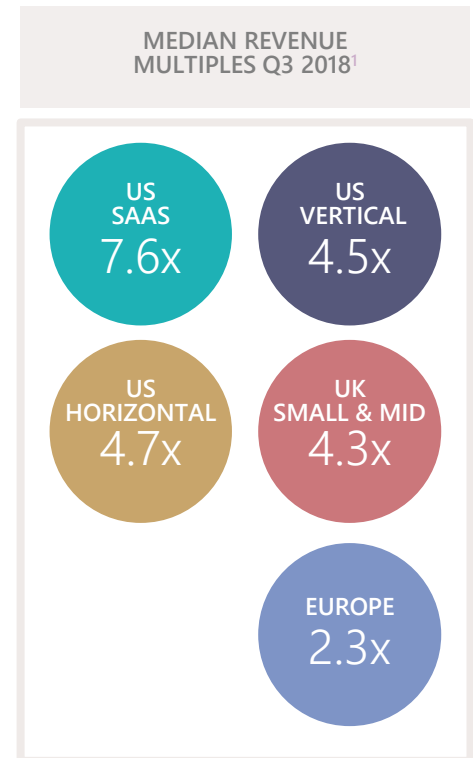
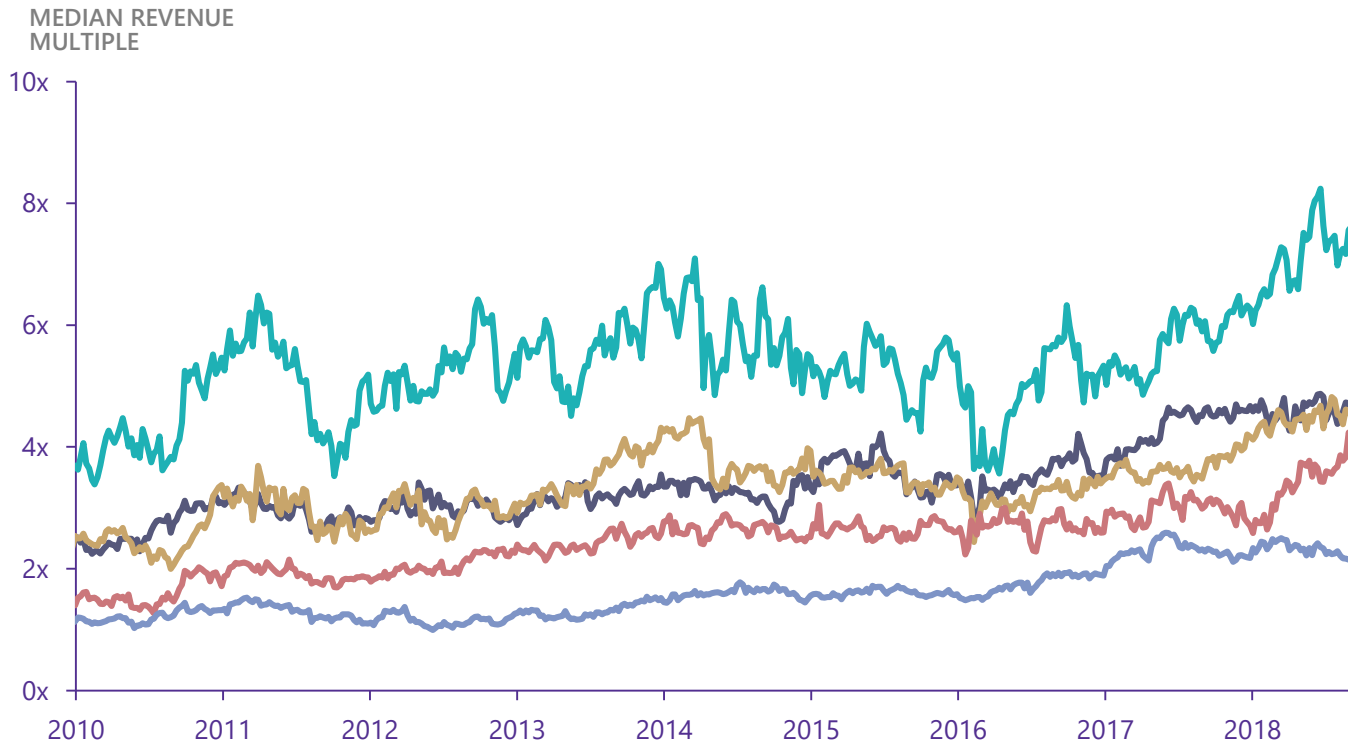
Despite 45% YOY increase in revenue growth forecast, European companies continued to have the lowest valuations amongst the different categories

Report Summary

CATEGORY	MEDIAN REVENUE MULTIPLES ¹			COMMENTARY
	Q2 2018		Q3 2018	
US SaaS	7.6x	-0.8% ▼	7.6x	<ul style="list-style-type: none"> • Correction from Q2 8.2x high reached 7.0x before recovering to 7.6x at the end of the period • Trading +23% YOY reinforcing the premium of recurring revenue • Median revenue growth forecasts of 22.9% remain the highest and grew at +13% QOQ
US Vertical	4.9x	-8.5% ▼	4.5x	<ul style="list-style-type: none"> • Down compared to Q2 but trading in a range between min 4.4x and max 4.7x • Revenue growth expectations fell QOQ and YOY to 10.2%, the lowest of the 5 categories • TEV/EBITDA multiples reached an all time high of 29.2x during the quarter but closed at 28.4x
US Horizontal	4.3x	+9.1% ▲	4.7x	<ul style="list-style-type: none"> • After an all time high and subsequent dip to 4.3x at the end of Q2, this quarter closed at 4.7x • Median EBITDA margin fell to 15.1% (-26.5% YOY), revenue growth dipped to 11% (-18% QOQ) • In contrast, TEV/EBITDA reached a peak but remains relatively low compared to other US categories
UK Small & Mid	3.9x	+9.6% ▲	4.3x	<ul style="list-style-type: none"> • Continues the upward trend from the start of the year reaching another peak of 4.3x during Q3 • Median EBITDA margins dropped to 16.7% (-8.5% QOQ and -6.1% YOY) • Revenue growth forecasts rose by 35% QOQ to 14.6%, but remained lower YOY
Europe	2.6x	-13.0% ▼	2.3x	<ul style="list-style-type: none"> • Remains trading at the lowest valuations amongst the different categories • Median revenue multiples plummeted during Q3, reaching a minimum multiple of 2.1x • Revenue growth improved by 45% YOY to 13%. As in Q2, profitability remains stable at 13.8%

¹ As at 30th September, 2018 Source: Silverpeak / S&P Capital IQ

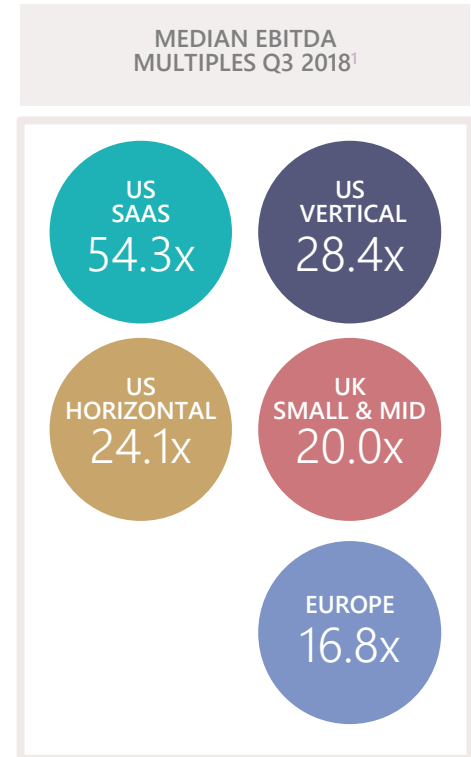
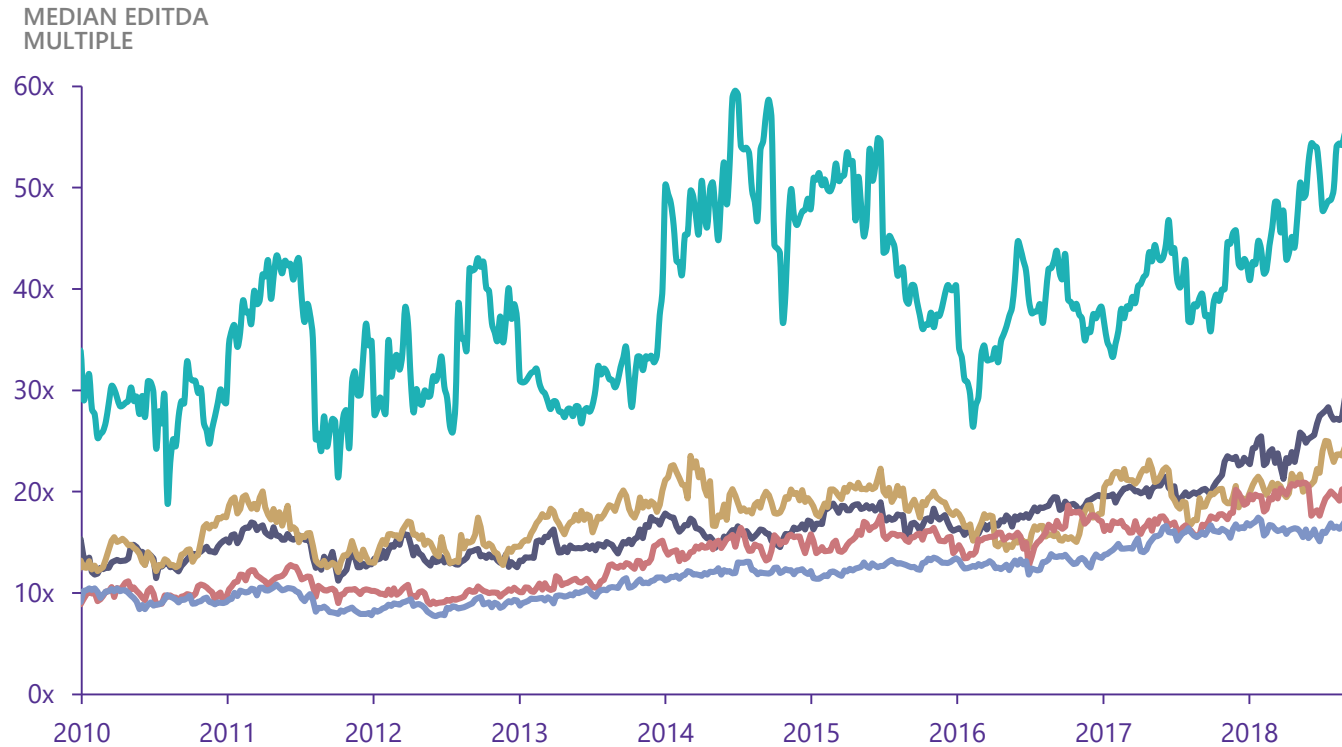
Software sector valuation metrics: revenue multiples



US SaaS started to recover following the correction from an all time peak in Q2
 UK Small & Mid category continued its strong growth, reaching another record high during the year

¹ As at 30th September, 2018 Source: Silverpeak / S&P Capital IQ

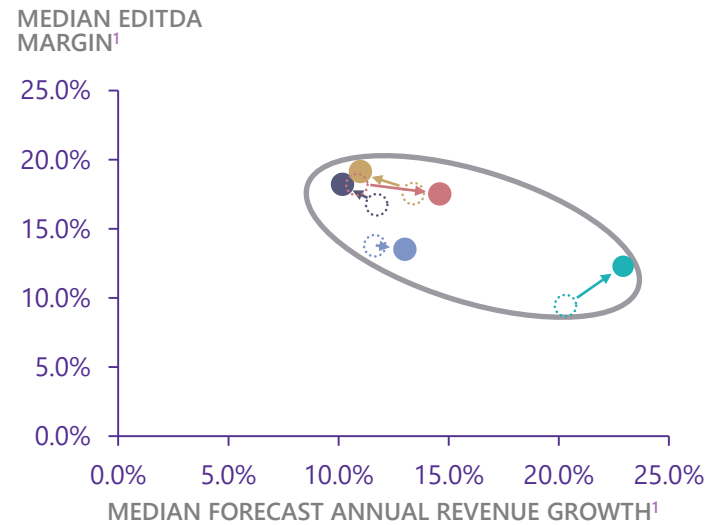
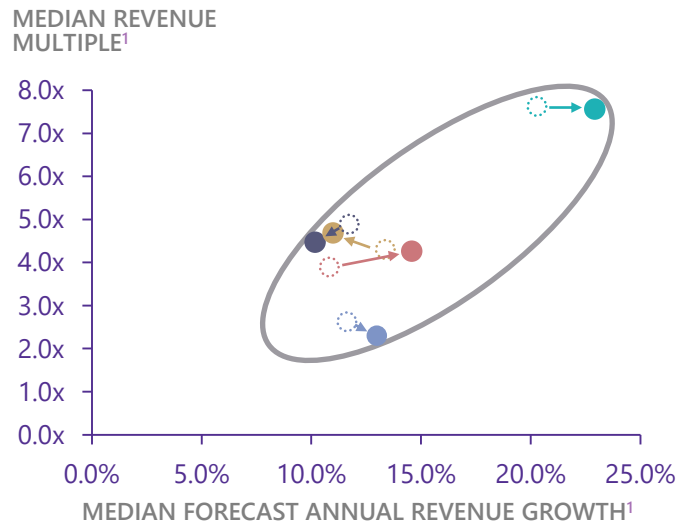
Software sector valuation metrics: EBITDA multiples



US SaaS remained volatile and trading high
 US Vertical and Horizontal reached an all time high during Q3

¹ As at 30th September, 2018 Source: Silverpeak / S&P Capital IQ

Software sector valuation metrics¹: summary



	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q3 2018	●	●	●	●	●
Q2 2018	○	○	○	○	○

¹ As at 30th September, 2018 Source: Silverpeak / S&P Capital IQ

Company categorisation

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 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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