



## Silverpeak Benchmark Report - Q2 2016

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

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technology  
investment banking



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# Commentary

## Q2 - Report highlights

- After a trough at the start of 2016 (min = **3.7x**), US-SaaS companies continued last quarter's recovery ending Q2 at TEV/Rev **5.2x**, **+0.6x** up from last quarter, almost recovering to the 2015 Q2 figure of **5.4x**
- US-Vertical's valuations climbed to their highest since our benchmark report began in July 2008, with this quarter's peak at **5.0x**, **+0.7x** from last quarter and **+0.8x** on the same quarter last year
- US-Hizontals were **-0.4x** down from last quarter at TEV/Rev **3.1x**, with growth expectations dropping by **-0.9pp** to **3.0%**
- UK companies' valuations and EBITDA margins declined by **-0.3x** and **-1.5%** this quarter to **2.1x** and **16.6%**, respectively, despite growth expectations increasing by **1.4pp** (see below for Brexit impact)
- European companies continue to show stable yet low valuations (TEV/Rev **1.4x**)

## Q2 - Overview

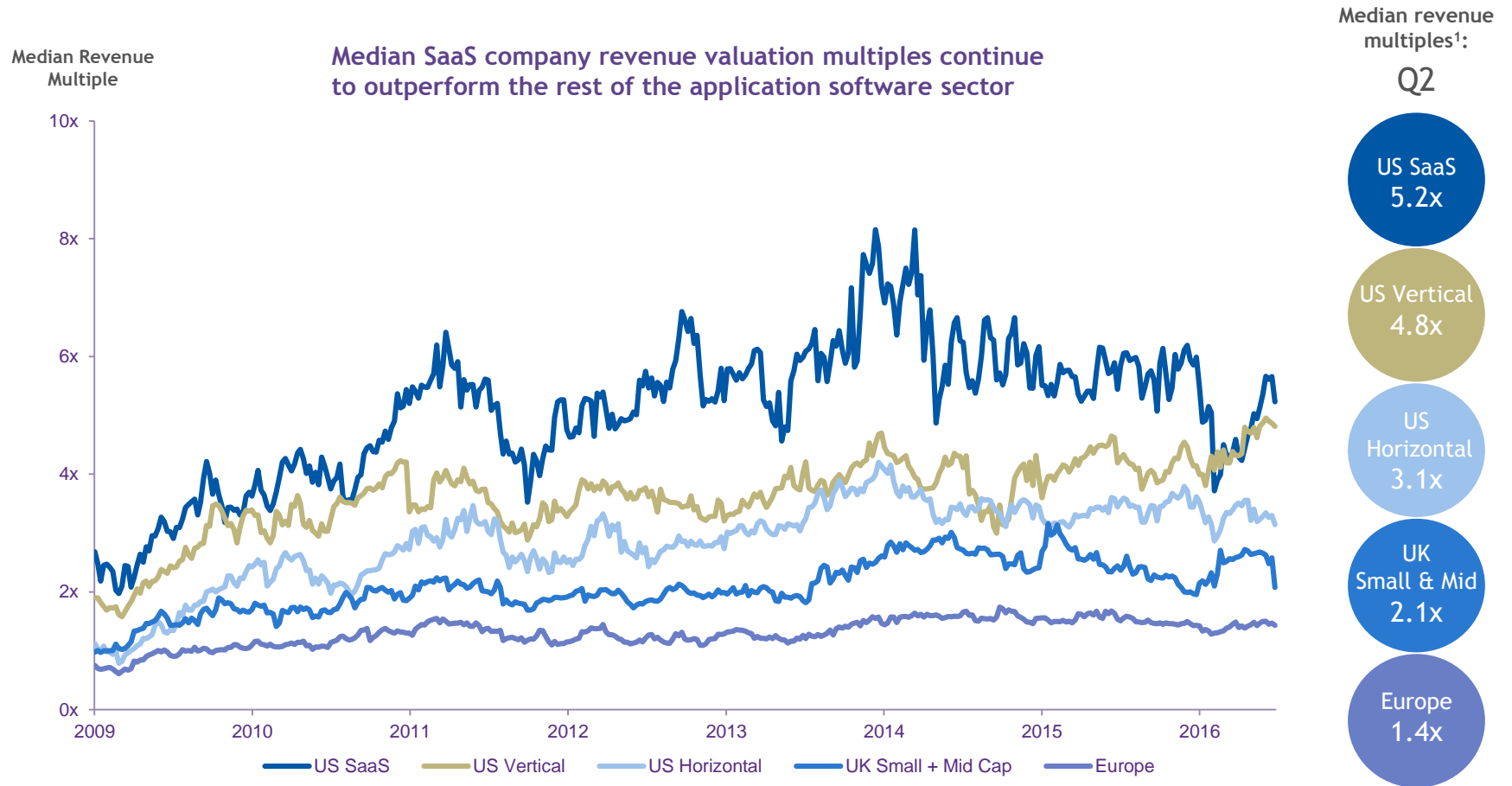
Overall US equity market's improved this quarter and European markets remained stable. Following Brexit, UK software market valuations dropped by **-0.5x** to **2.1x** in the week after the announcement and have remained at this level. The FTSE 100 initially slumped (declining **8%** on the day itself) but has since recovered to above pre-Brexit levels.

Private equity remains interested in the application software sector. Notable examples from this quarter include Vista Equity Partners - which acquired Marketo for **\$1.8bn** and Vertafore for **\$2.7bn** (the latter with Bain Capital), as well as Thoma Bravo - which acquired Elemica for an undisclosed amount. This quarter also saw the successful IPO of US-based Twilio, which raised **\$150m** at a **\$1.2bn** valuation (up **\$200m** from its latest financing round).

Overall growth expectations are improving, with consensus growth forecast up for US, UK and European companies from last quarter.



# Software sector valuation metrics: revenue multiples



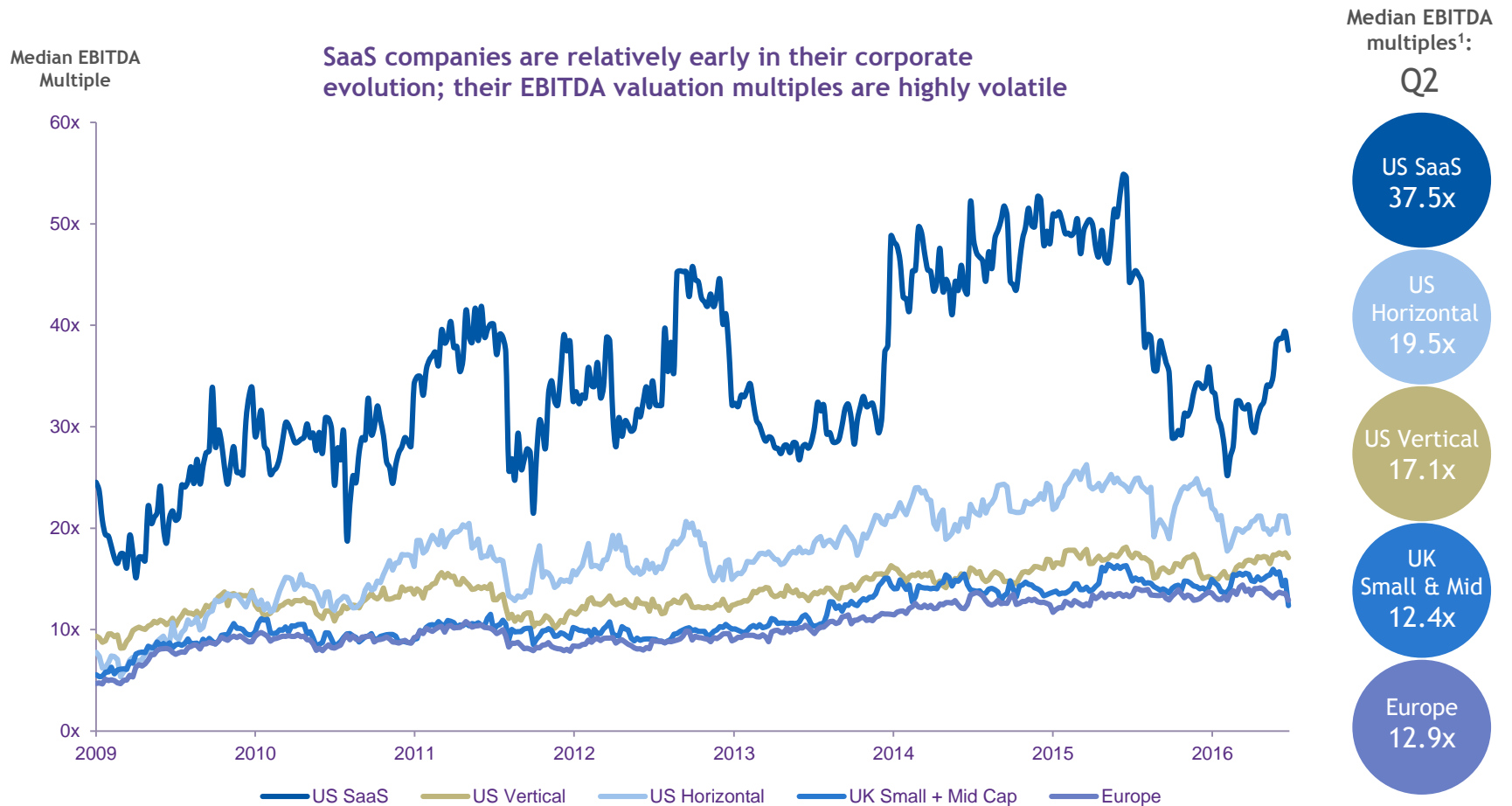
1. As at 30<sup>th</sup> June, 2016

Source: Silverpeak / S&P Capital IQ

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# Software sector valuation metrics: EBITDA multiples

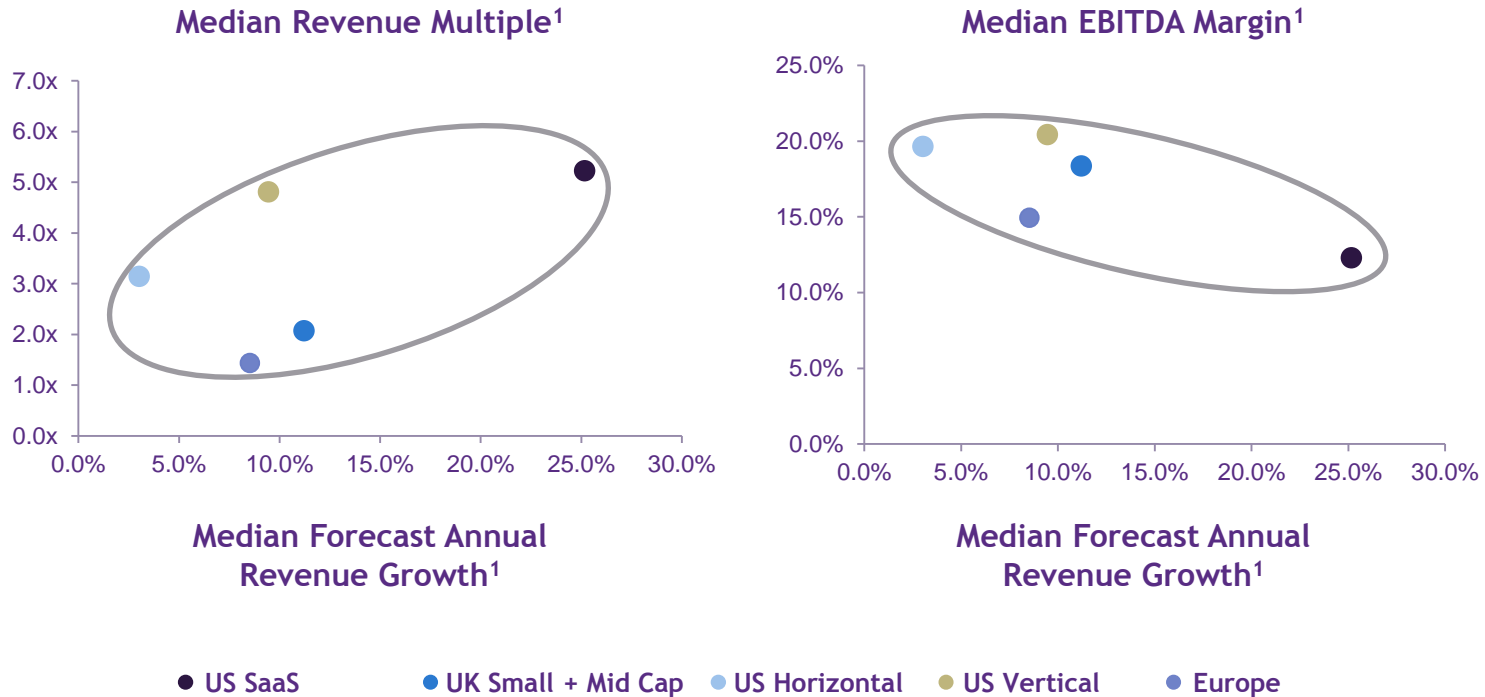


1. As at 30<sup>th</sup> June, 2016

Source: Silverpeak / S&P Capital IQ



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



1. As at 30<sup>th</sup> June, 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.*

## Contact

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# Silverpeak's recent software experience

<p>UK / US</p> <p><b>MAGIC PONY TECHNOLOGY</b></p> <p>Machine learning for video processing</p> <p>has been sold to</p>  <p>Advisor to Octopus</p> <p>JUNE 2016</p>	<p>Denmark / US &amp; Norway</p> <p><b>adQuota</b> mobile advertising</p> <p>Mobile advertising network and supply side platform (SSP)</p> <p>has been sold to</p>  <p>OCTOBER 2015</p>	<p>UK / Japan</p> <p><b>ACT</b></p> <p>Electronic ticketing software for transit, tourism and loyalty schemes</p> <p>has been sold to</p>  <p>AUGUST 2015</p>	<p>Mauritius / South Africa</p> <p><b>digitata</b></p> <p>BSS and analytics software for mobile operators in emerging markets</p> <p>has acquired control of</p>  <p>JULY 2015</p>	<p>UK / France</p> <p><b>ACTIVUS</b></p> <p>Health and personal protection insurance software</p> <p>has been acquired by</p>  <p>JULY 2015</p>
<p>UK / UK</p> <p><b>artesian</b></p> <p>Workflow software for B2B sales persons</p> <p>Venture debt and equity financing</p>  <p>JUNE 2015</p>	<p>UK / Hong Kong</p> <p><b>nTwine</b> </p> <p>Next-gen orchestration SaaS for Unified Communications</p> <p>has been acquired by</p>  <p>JUNE 2015</p>	<p>Portugal / US</p> <p><b>anubisnetworks™</b></p> <p>Cloud based, real-time threat detection platform</p> <p>has merged with</p>  <p>OCTOBER 2014</p>	<p>US &amp; France / Finland &amp; France</p> <p><b>commerce guys</b></p> <p>Open source e-commerce software</p> <p>Series-B Financing </p>  <p>HI INOV DENTRESSANGLE INITIATIVES</p> <p>\$7,300,000</p>  <p>JUNE 2014</p>	<p>Netherlands / UK</p> <p><b>ticketscript</b> sell more</p> <p>Cloud-based event ticketing and management software</p> <p>Growth Equity Financing</p>  <p>FLEMING FAMILY AND PARTNERS</p> <p>\$11,800,000</p> <p>MAY 2014</p>



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