

SOFTWARE BENCHMARK REPORT

Industrial software
maintains top
sector multiples

QUARTERLY OVERVIEW OF PUBLIC APPLICATION SOFTWARE SECTOR VALUATIONS

Welcome to the latest edition of the Silverpeak Benchmark report – a review of public software company valuation and operating metrics in the US and Europe.

We review median values to produce a robust industry reference benchmark. We screen US and European publicly listed software companies using the S&P Capital IQ database. Our insights and conclusions are derived from this S&P dataset, which currently consists of 466 companies.



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QoQ VALUATION HIGHLIGHTS

US SAAS	+10%	EV / REV
SECURITY	+22%	EV / EBITDA
INDUSTRIALS	+10%	EV / EBITDA
NORDICS	-11%	EV / REV

Glossary and methodology on page 16

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US EBITDA margins have shown a marked reduction over the last 12 months.

Although Nordic valuation multiples remain an outlier in Europe, they are declining and converging towards the European median.

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KEY FINDINGS

- US SaaS had the highest EV/Revenue growth across this quarter, with a 10% increase
- The security sector achieved a 22% rise in its EV/EBITDA multiple
- Despite modest growth in Europe, the EV/Revenue multiple for the Nordics subset declined by 11%

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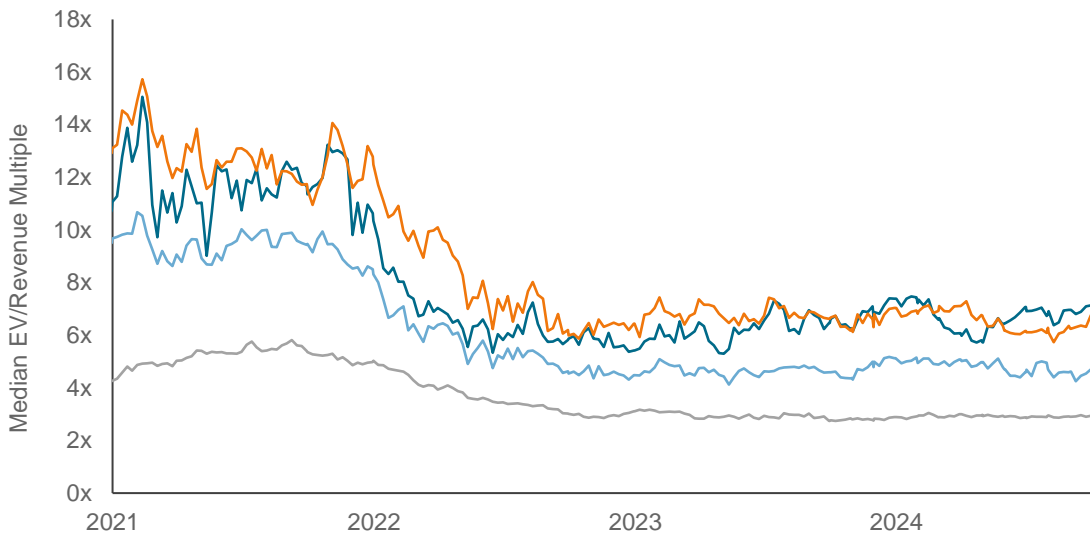
SECTION 1

Category valuation multiples

EV/Revenue multiples have increased across all categories

On an EV/Revenue basis, US SaaS recorded the largest increase across all categories with a 10% quarter-on-quarter (QoQ) growth. Meanwhile, US vertical, US horizontal, and Europe saw more modest QoQ increases of 1%, 2%, and 3%, respectively.

SOFTWARE CATEGORY VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021- Q3 24



Category	US vertical	US SaaS	US horizontal	Europe
Median Multiple	7.13x	6.75x	4.70x	2.96x
QoQ change	1% ▲	10% ▲	2% ▲	3% ▲
YoY change	10% ▲	2% ▲	2% ▲	8% ▲

In the US SaaS category, the 10% QoQ rise brought the EV/Revenue multiple to 6.75x. Within this category's dataset, MicroStrategy contributed to this trend with a QoQ revenue multiple increase of 44%.

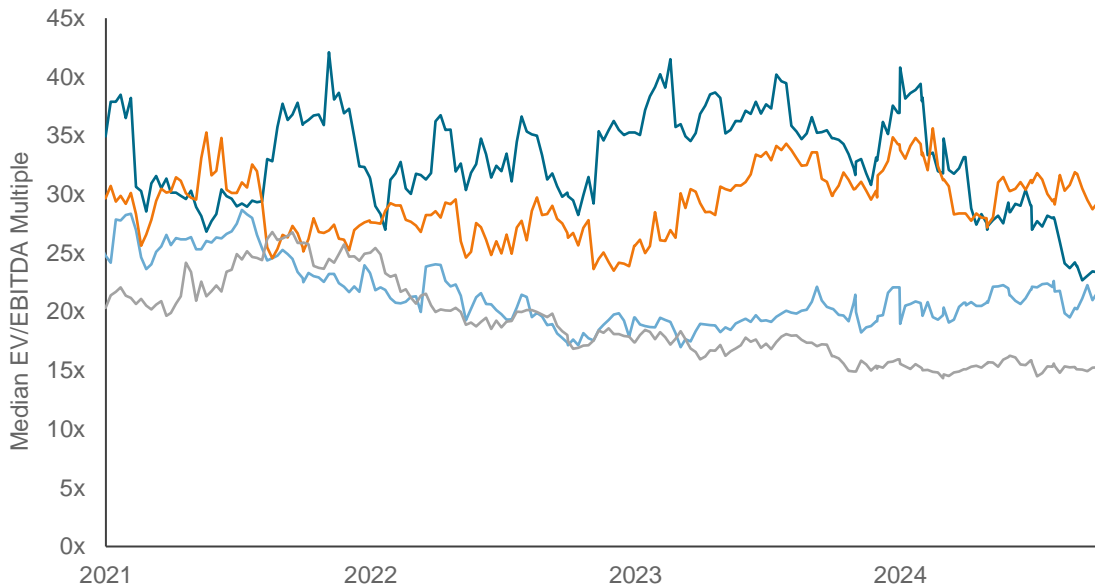


Europe had an 8% year-on-year (YoY) EV/Revenue multiple increase, coupled with a 3% QoQ rise, pushing the multiple to 2.96x.

US horizontal and US vertical EV/Revenue multiples were stable over Q3. However, US vertical had a 10% YoY EV/Revenue increase to maintain the highest revenue multiple, compared with US horizontal's 2%.

On an EV/EBITDA basis, the data for Q3 2024 showed a QoQ decline across all categories. US vertical experienced the steepest decline of 19% QoQ and 33% YoY. This continues the decline that we observed in Q2 where US vertical's EV/EBITDA multiple fell by 13% QoQ.

SOFTWARE CATEGORY VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021- Q3 24



US vertical	US SaaS	US horizontal	Europe
23.46x	28.38x	21.22x	15.60x
QoQ change			
-19%	-9%	-3%	-2%
YoY change			
-33%	-5%	5%	-4%

US vertical saw a 19% QoQ decline, bringing its EV/EBITDA multiple down to 23.46x, and a 33% decrease YoY. In this category, travel software provider Sabre Corporation saw an 18% QoQ reduction in its EV/EBITDA multiple. US SaaS saw a 9% QoQ decrease, bringing its multiple to 28.38x.

US horizontal showed less volatility than US vertical, with only a 3% QoQ drop and a 5% YoY increase, generating a multiple of 21.22x. Meanwhile, Europe experienced a 2% QoQ decline and a 4% YoY decrease, lowering its multiple to 15.60x.



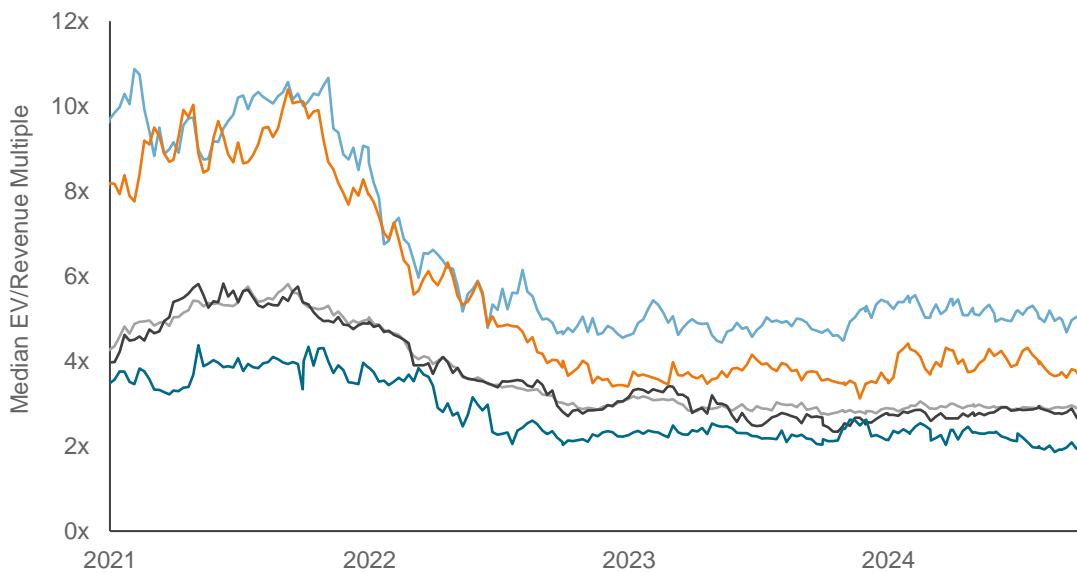
SECTION 2

Valuation multiples by region

Europe’s EV/Revenue valuations performed better than the UK, DACH and Nordic subsets

In Q3 2024, the Nordics and the UK QoQ EV/Revenue multiples showed the highest declines of 11% and 9%, respectively.

REGIONAL EUROPEAN & US VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021 – Q3 24



US	Europe	UK	DACH	NORDICS
5.08x	2.96x	2.59x	2.05x	3.51x
QoQ change				
-2% ▼	3% ▲	-9% ▼	-3% ▼	-11% ▼
YoY change				
9% ▲	8% ▲	-3% ▼	1% ▲	-1% ▼

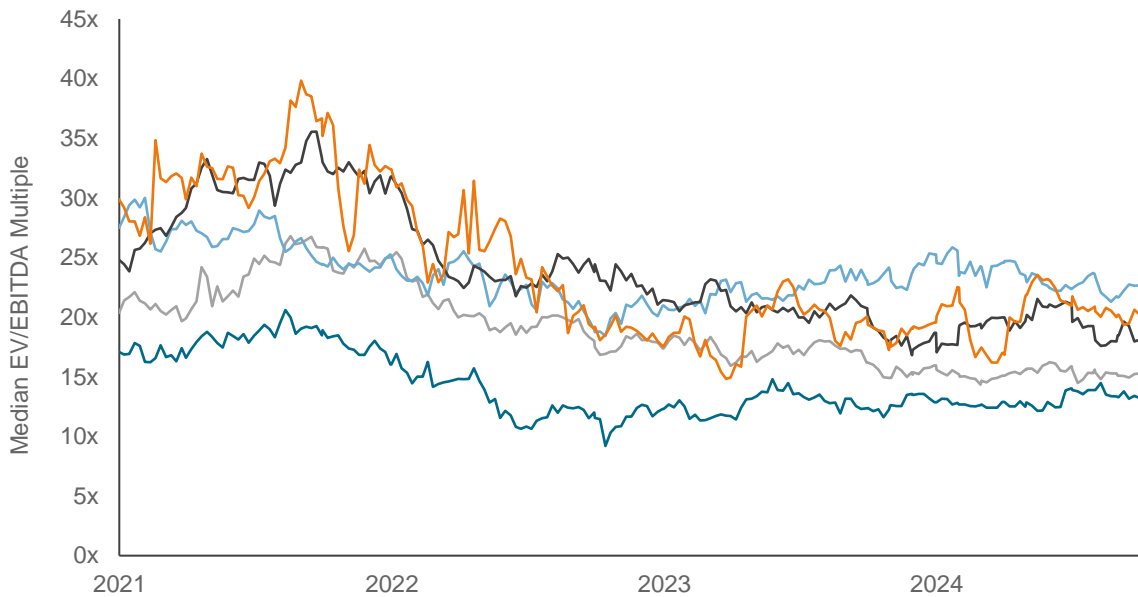
The Nordics QoQ drop of 11% was the most notable across these regions and brought the multiple down to 3.51x reversing the growth we noted in previous quarters.

In contrast, Europe saw a 3% QoQ EV/Revenue multiple increase, raising its multiple to 2.96x, and contributing to an 8% YoY gain. The US showed a slight QoQ decline of 2% but with a 9% YoY increase, its multiple remains higher than Europe at 5.08x.

The UK and DACH regions both decreased this quarter with an 9% and 3% drop, respectively.

On an EV/EBITDA basis, the UK posted the most significant decline at -13% QoQ, while DACH was the only region to see QoQ growth, with a 1% increase. The Nordics, US, and Europe had QoQ EV/EBITDA multiple declines of 3%, 1%, and 2%, respectively.

REGIONAL EUROPEAN & US VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021 – Q3 24

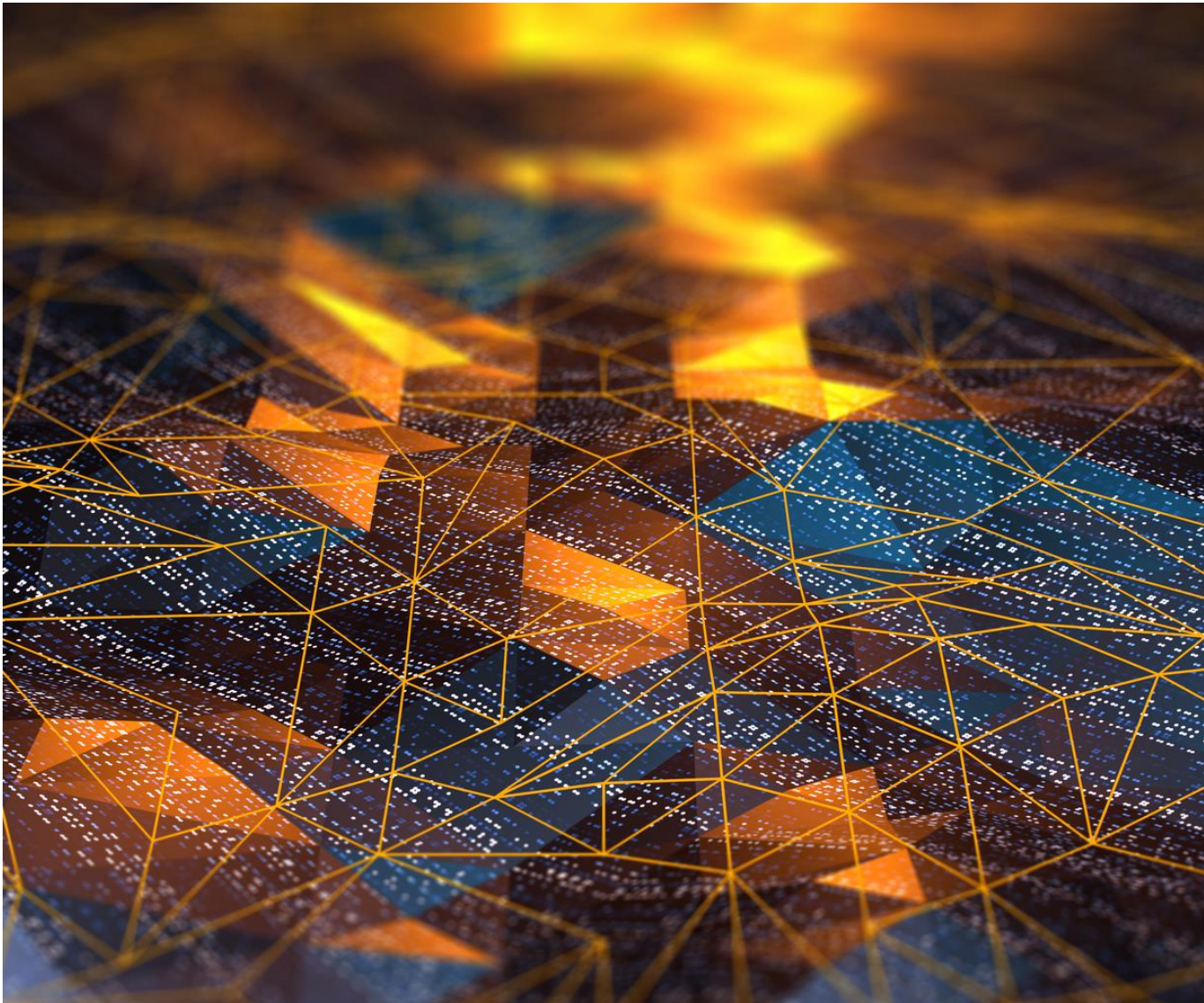


US	Europe	UK	DACH	NORDICS
22.12x	15.60x	18.34x	14.19x	20.24x
QoQ change				
-1% ▼	-2% ▼	-13% ▼	1% ▲	-3% ▼
YoY change				
-4% ▼	-4% ▼	-12% ▼	15% ▲	1% ▲

The UK’s 13% QoQ decline brought its EV/EBITDA multiple down to 18.34x. The region also experienced a 12% YoY EV/EBITDA multiple decrease. In contrast, the DACH region increased by 1% QoQ and 15% YoY.

In the Nordics, a 3% QoQ drop reduced the multiple to 20.24x, while the YoY change remained relatively flat at 1%.

The US and Europe both saw moderate declines. The US EV/EBITDA multiple dropped by 1% QoQ and 4% YoY to 22.12x. Similarly, Europe recorded a 2% QoQ and 4% YoY decline, bringing its multiple to 15.60x.

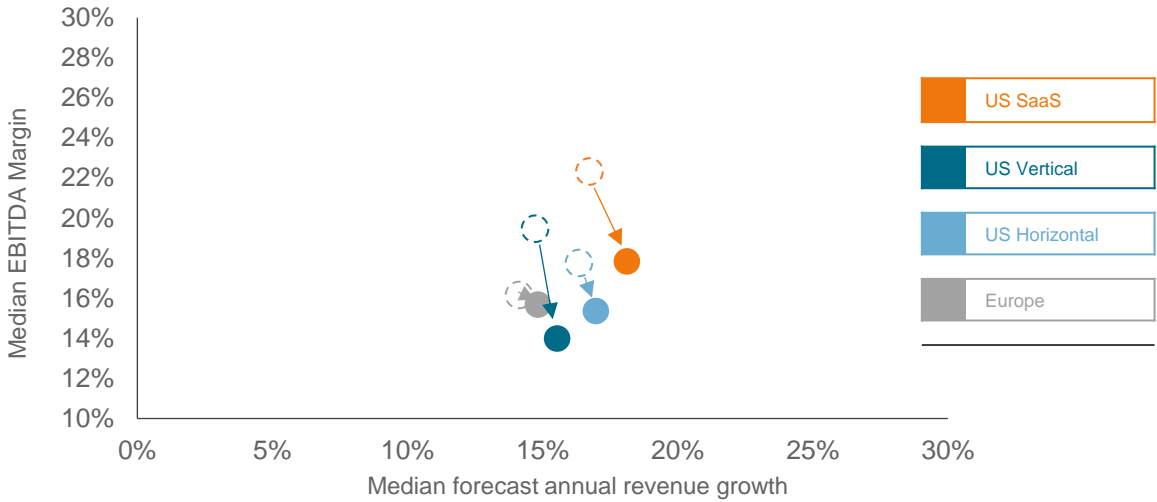


SECTION 3

Operating metrics

EBITDA margins declined across the board, but growth forecasts improved marginally

SOFTWARE CATEGORY OPERATING METRICS: EBITDA MARGIN vs REV GROWTH (F) Q3 23 – Q3 24



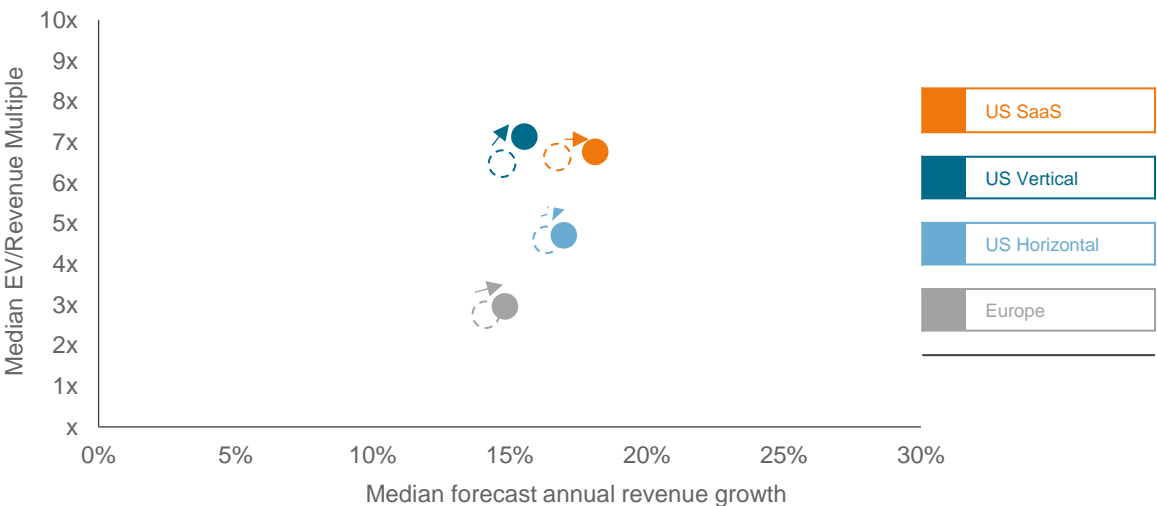
Key Q3 2023 (dashed circle) Q3 2024 (solid circle)

Over the last 12 months, the median EBITDA margin declined for all categories between Q3 2023 and Q3 2024, with US vertical experiencing the sharpest decline YoY, falling by 5%. US SaaS also saw a 4% decline YoY in median EBITDA margin.

However, companies in our dataset had more optimistic growth forecasts. All categories showed a modest increase in the period of approximately 1%.

As noted earlier in our report, EV/Revenue multiples increased across all categories alongside improved revenue growth forecasts as seen below.

SOFTWARE CATEGORY OPERATING METRICS: EV / REV vs REV GROWTH (F) Q3 23 – Q3 24



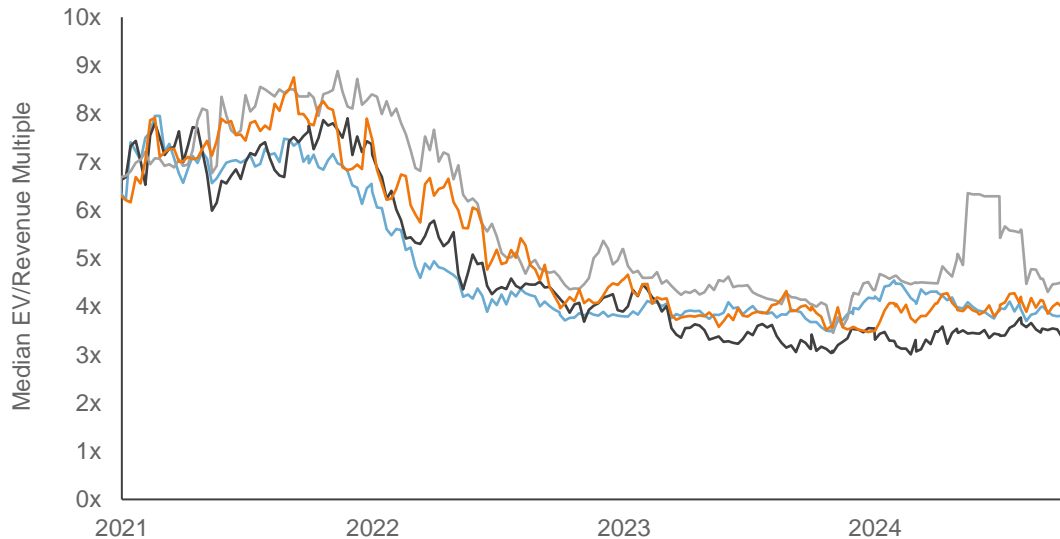


SECTION 4

Sector valuation multiples

The security sector QoQ EV/ EBITDA multiple surged, while industrials continues to attract the highest multiples

SOFTWARE SECTOR VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021 – Q3 24



Security	Enterprise	Fintech	Industrials
3.97x	3.81x	3.35x	4.51x
QoQ change			
2% ▲	-3% ▼	-2% ▼	-28% ▼
YoY change			
1% ▲	4% ▲	7% ▲	11% ▲

The security sector had a 2% QoQ increase in EV/Revenue multiples, rising to 3.97x in Q3 2024.

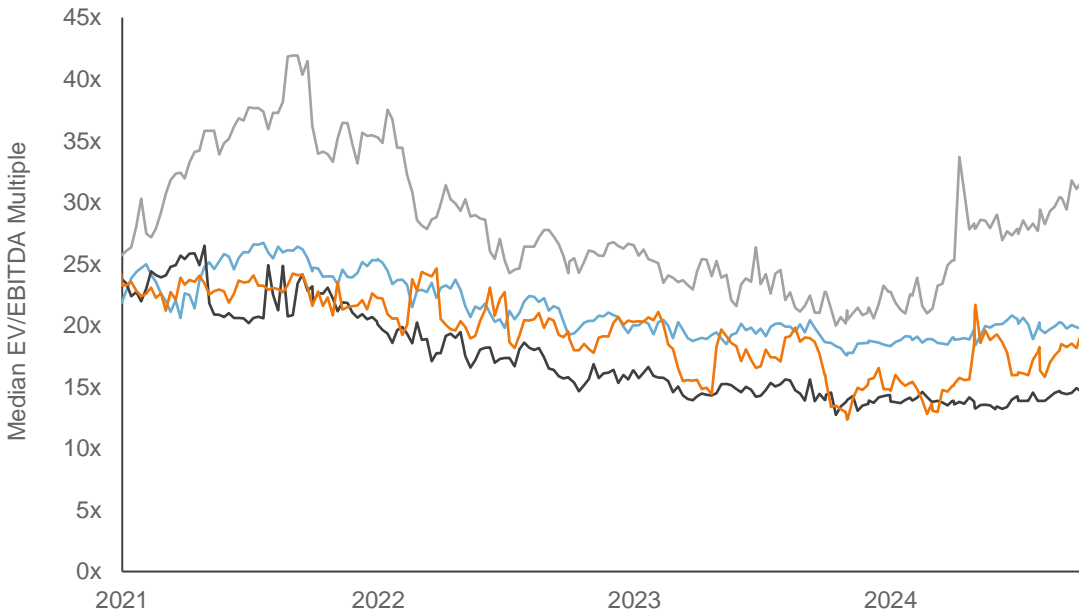
Enterprise saw a slight decline, with multiples dropping 3% QoQ to 3.81x. Similarly, the fintech sector declined by 2% QoQ to a 3.35x EV/Revenue multiple. However, YoY fintech increased 7% when compared to the same period last year.

Industrials experienced the most significant QoQ decline, with EV/Revenue multiples dropping 28% to 4.51x. Some of this volatility could be linked to certain take-private transactions. For example, geospatial software provider IQGeo Group plc, was taken private by KKR in a deal valued at £333 million during the period. The business was trading at a 6.29x EV/Revenue multiple at the end of Q2 before it de-listed.

In the security sector, EV/EBITDA multiples increased by 22% QoQ to 19.45x. An example of this trend is constituent, Intercede Group, whose EV/EBITDA multiple increased by 67% in the quarter to 18.1x.

Industrials saw a 10% QoQ increase, raising its EV/EBITDA multiple to 30.74x, with a notable 35% YoY increase. Enterprise was down 3% QoQ but posted a 7% YoY increase, whilst fintech remained relatively flat.

SOFTWARE SECTOR VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021 – Q3 24



Security	Enterprise	Fintech	Industrials
19.45x	19.92x	14.28x	30.74x
QoQ change			
22% ▲	-3% ▼	0% ▬	10% ▲
YoY change			
22% ▲	7% ▲	2% ▲	35% ▲



SECTION 5

Methodology

Methodology

US and European publicly listed software companies are screened using the S&P Capital IQ database. The dataset is reviewed and updated on a quarterly basis to include newly listed and de-listed companies and to ensure that existing companies remain pertinent to the report. A variety of financial indicators are tracked on a weekly basis including EV/Revenue and EV/EBITDA multiples, forecast annual revenue growth, gross margin, EBITDA margin and others. Companies with Enterprise Values (EV) of less than \$10m were excluded from the sample and multiples outside the 1x-100x range were disregarded from median calculations.

Private company performance cannot be directly compared against public valuation metrics.

Company classification

BY CATEGORY

To allow comparison, we group companies covered in the report into one of four categories.

(In brackets, the number of public companies in each dataset.)

Europe (218)

European (including UK, DACH and Nordics) headquartered, publicly quoted software companies.

US SaaS (78)

US-headquartered, operating a Software as a Service (SaaS) model, with a gross margin of 75%+.

US Vertical (54)

US-headquartered, with a strong focus on one (or a small number of) vertical market(s).

US Horizontal (194)

US-headquartered, selling solutions across a wide range of vertical markets.

BY SECTOR

We also classify companies according to common sectors.

(In brackets, the number of public companies in each dataset.)

Enterprise Software (190)

Software designed to improve enterprise operations, including HR, CRM, and supply chain management solutions.

Fintech (74)

Software technologies that facilitate payments and financial services, such as insurtech, blockchain, mobile wallets.

Industrials (24)

Software for use in industrial sector applications, including energytech, constructiontech, design automation.

Security (66)

















Companies that provide software solutions for data, applications, and IT environment, such as cybersecurity.

About Silverpeak

Silverpeak is a mid-market technology specialist representing European growth businesses in M&A and financing transactions. Our high energy team of technology enthusiasts has experience of over 400 completed deals between them.

We have deep business and product understanding, which we use to focus on discovering the full, and often hidden, strategic value in a company. We then articulate this value to the right buyers and investors wherever they are.

Recently completed mandates

<p>UK NO Sep 2024</p>  <p>Maritime cybersecurity</p> <p>Sale to</p> 	<p>DK Apr 2024</p> <p>FOUNDERS</p> <p>Venture Capital</p> <p>Fintech single asset secondary sale</p> <p>MULTIPLE INVESTORS</p>	<p>BE IE Feb 2024</p>  <p>Data science & analytics provider for CX transformation</p> <p>Sale to</p> 
<p>CA US UK ROW Aug 2023</p>  <p>Photonically networked silicon spin quantum computers</p> <p>\$100m financing</p>     <p>Delivered by British Business Bank</p> 	<p>UK UAE Aug 2023</p>  <p>Maritime e-procurement platform</p> <p>Sale to</p>  <p>backed by</p> 	<p>UK JP WW Apr 2023</p>  <p>Institutional digital asset infrastructure provider</p> <p>\$36m Series A financing</p>   <p>AND UNDISCLOSED INVESTORS</p>

We go further to understand a company's full value

There is often hidden value in a company's technology, growth potential, management team and its vision.

We unlock all this potential value and articulate it to the acquirers or investors who prize it most.

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The Silverpeak team promptly understood the unique dynamics of our industry and business model and ensured a smooth and competitive transaction process. Their professionalism and work ethic helped us secure this great outcome for us as a company and our shareholders.

PETKO TINCHEV - CEO, GEMSEEK

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