Silverpeak Benchmark Report Q4 2020

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

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European clients – **Global** counterparties

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GB | EU	PT | US	GB | US	LT | JP | GB	ES | US
V·NOVA	**ARMILAR** VENTURE PARTNERS	**ZZOOMM**	**Trafi**	**playgiga**
Video compression solutions	Technology venture capital	Fibre broadband network operator	Mobility-as-a-Service platform	Game streaming platform
Investment by	**Continuation fund, including:**	**£100m investment by**	**Investment by**	**Sale**
INVESTMENT FIRMS & TECH ENTREPRENEURS	**outsystems** Low-code SaaS leader	**OAKTREE**	**MS&AD** Aioi Nissay Dowa / **Sumitomo** / **European Bank** for Reconstruction and Development / **octopus** investments	**FACEBOOK**
October 2020	*September 2020*	*September 2020*	*June 2020*	*December 2019*

GB | US	EU | EU	FR | US	GB | GB | US	GB | GB
VIRTUAL CLARITY	**CONFIDENTIAL**	**sentryo**	**oxbotica**	**thoughtonomy**
Cloud transformation consultancy	SaaS FinTech platform	M2M cybersecurity for the industrial internet	Autonomous vehicle software	SaaS Intelligent automation platform
Sale	**Investment**	**Sale**	**Investment by**	**Sale**
DXC.technology	**$150m**	**CISCO**	**PARKWALK** / **ipgroup** / **AXA XL GROUP**	**blueprism**
November 2019	*September 2019*	*August 2019*	*July 2019*	*July 2019*

Denotes Silverpeak transaction

London | Paris | Milan | San Francisco | Shanghai

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Key Takeaways

6 of the 10 multiples reach record levels during Q4, with US SaaS closing at 11.1 x revenue

01

Both revenue & EBITDA multiples have continued to bounce back significantly. All categories now record both revenue and EBITDA multiples which exceed the 24-month average, with 6 of the 10 multiples reaching record levels.

02

US application software median revenue multiples continue to chart new all-time highs in Q4'20. US Horizontal recorded the lowest growth in revenue multiple across all categories of 10.5%. For the first time since mid-2018, US Horizontal revenue multiples are now lower than US Vertical multiples, despite recording the largest increase in its forecast annual revenue growth from 7% to 11%

03

EBITDA multiples for the US Horizontal, Europe and UK Small & Mid have reached the highest levels on record. US SaaS and US Vertical EBITDA multiples recover strongly, though remain below their peak. However, the median EBITDA margin has not changed significantly in Q4 for any categories

04

HR Tech continues to outperform other sub sectors in our Enterprise Value index, despite signs of downward trend at the start of the quarter.

The 5 subsectors all increased at varying levels across the quarter, finishing at high points with the exception of FinTech which is still below its January 2019 level.
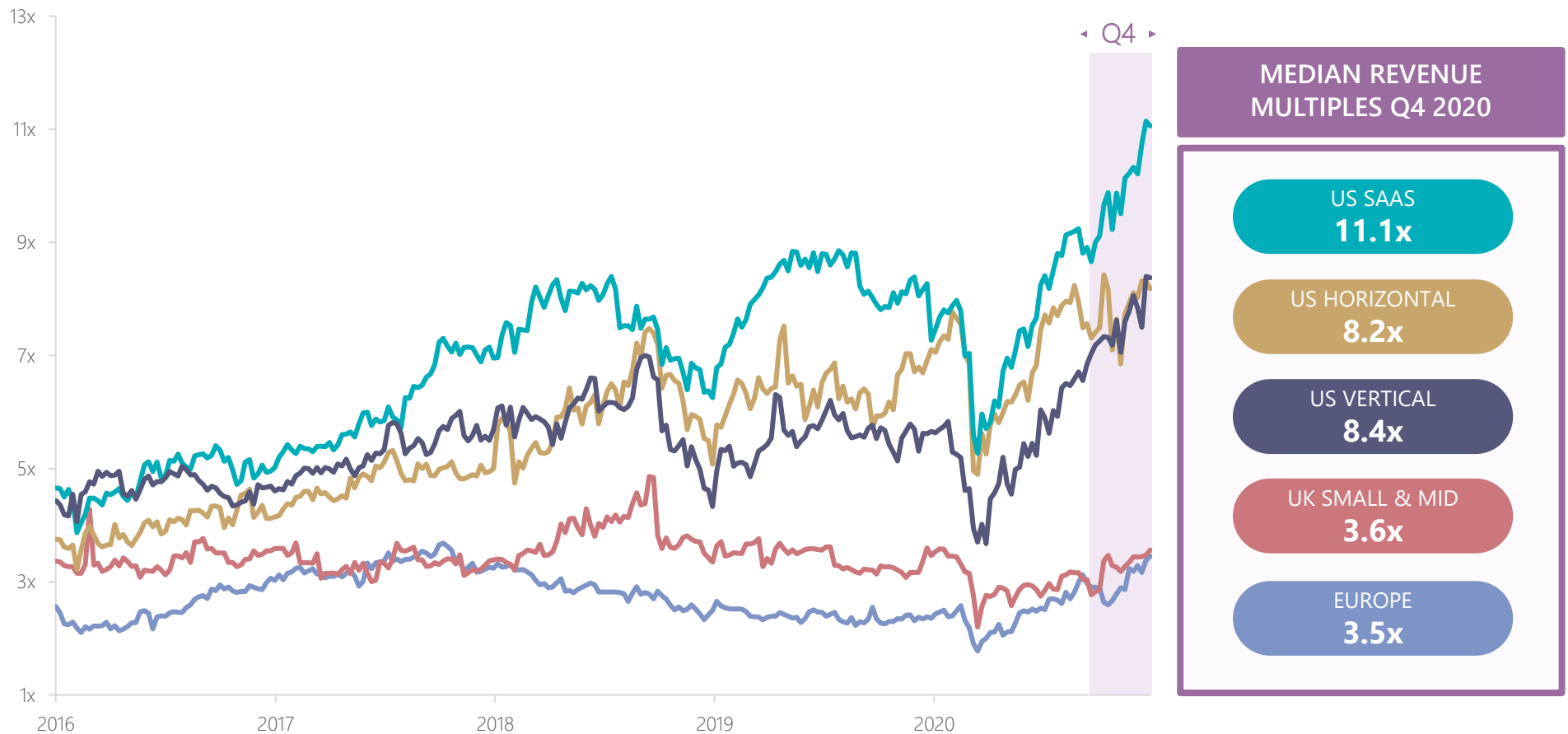
Source: Capital IQ, Silverpeak

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Report Summary

CATEGORY	MEDIAN REVENUE MULTIPLES[1]		COMMENTARY
	Q3 2020	Q4 2020	
US SaaS	9.0x	▲ +22.8% 11.1x	• US SaaS revenue multiples peaked at an all-time high in Q4 with a 23% increase Q.o.Q • EBITDA multiples rose 21% to 38x, to above the 24-month average, but not to 2019 levels • Annual forecast revenue growth and EBITDA margin both are the highest of all categories
US Vertical	7.2x	▲ +16.5% 8.4x	• Revenue multiples rose by 17%, ending the quarter at the highest level on record • EBITDA multiples increased by 19% up to 30x, though remains the lowest of all US categories • This is despite EBITDA margin and forecast revenue growth changing minimally in the quarter
US Horizontal	7.4x	▲ +10.5% 8.2x	• US Horizontal revenue multiples mirrored the trend of US Vertical, growth of 11% up to 8x • EBITDA Multiples outperformed the other categories showing strong growth of 34% up to 41x • Forecast revenue growth has increased from 7% to 11%, a 60% relative increase from Q3
UK Small & Mid	2.8x	▲ +26.2% 3.6x	• Revenue multiples increased by 26%, the most of all categories, now up 5% Y.o.Y • EBITDA multiples had a 22% uplift to 23x, the highest level on record • Annual forecast revenue growth increased 70% to 3% from Q3, but still low in real terms
Europe	2.9x	▲ +20.4% 3.5x	• European revenue multiples continued to recover, increasing to 4x with 20% growth in Q4 • EBITDA multiples mirrored that of UK Small & Mid, also recording the highest level on record • Median EBITDA margin also increased from 16% to 18%, the largest increase of all categories

Source: Capital IQ, Silverpeak

Note: [1]Q4 2020 multiples are taken at 31/12/20, LTM

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Median revenue multiples continue to grow strongly to record levels in US

Application software sector valuation metrics: median **Revenue** multiples 2015-2020 Q4

◄ Q4 ►

MEDIAN REVENUE MULTIPLES Q4 2020

US SAAS	**11.1x**
US HORIZONTAL	**8.2x**
US VERTICAL	**8.4x**
UK SMALL & MID	**3.6x**
EUROPE	**3.5x**

Source: Capital IQ, Silverpeak

Note: Q4 2020 multiples are taken at 31/12/20, LTM

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EBITDA multiples continue rising since the Covid collapse

Application software sector valuation metrics: median **EBITDA** multiples 2015-2020 Q4
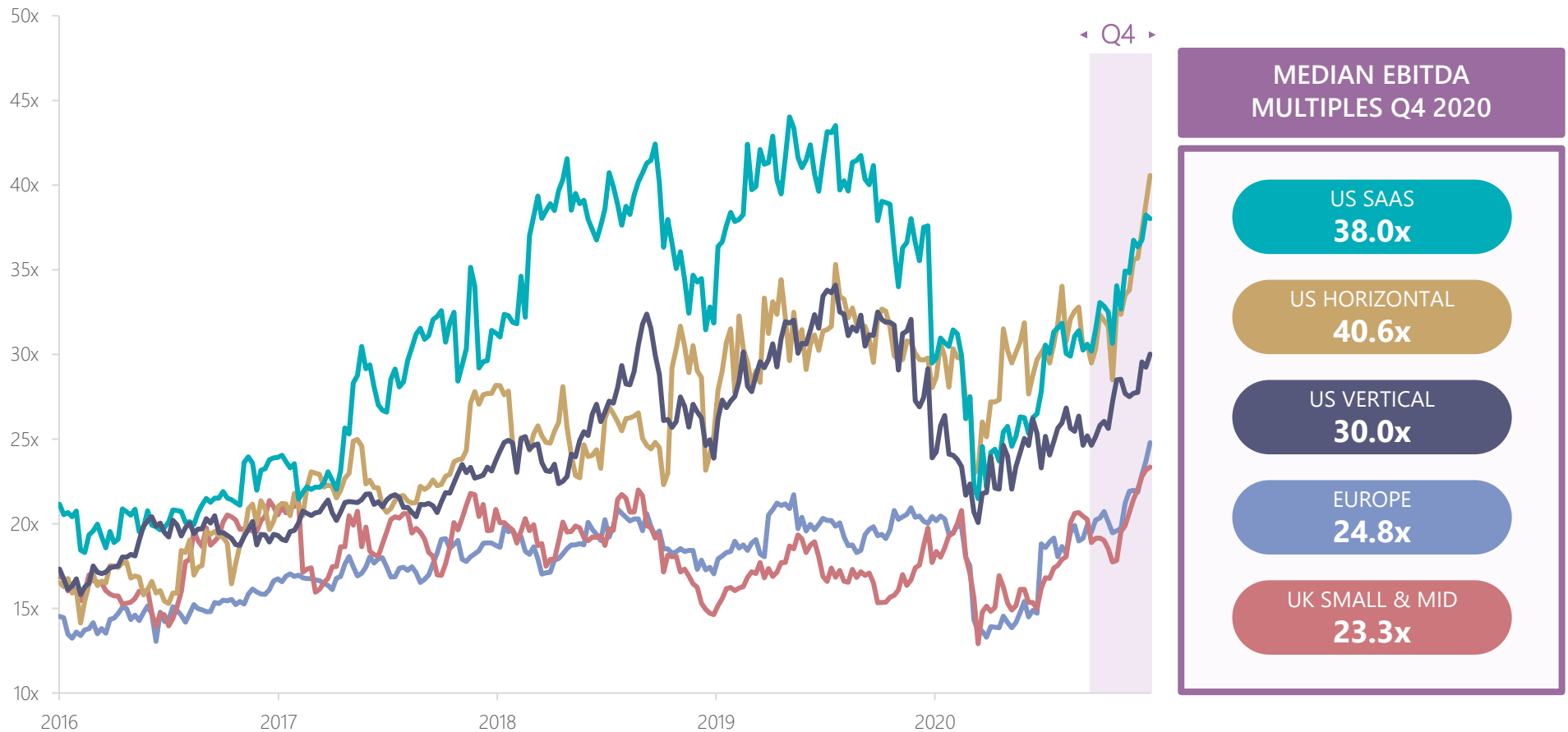
◄ Q4 ►

MEDIAN EBITDA MULTIPLES Q4 2020

US SAAS
38.0x

US HORIZONTAL
40.6x

US VERTICAL
30.0x

EUROPE
24.8x

UK SMALL & MID
23.3x

Source: Capital IQ, Silverpeak

Note: Q4 2020 multiples are taken at 31/12/20, LTM

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Enterprise values all increase at varied levels

Median monthly **Enterprise Value index,** by sub sector, 2019-2020 Q4

← Q4 20 →

HR Tech continues outperform other sub sectors at the end of Q4, with all other sub sectors showing signs of an upward trend into 2021

CHANGE IN INDEX EV VALUE OCT'20 – DEC'20

HR TECH
+51

CLOUD TECH
+45

CYBERSECURITY
+32

INDUSTRIAL
+55

FINTECH
+10

Data rebased at Jan-19
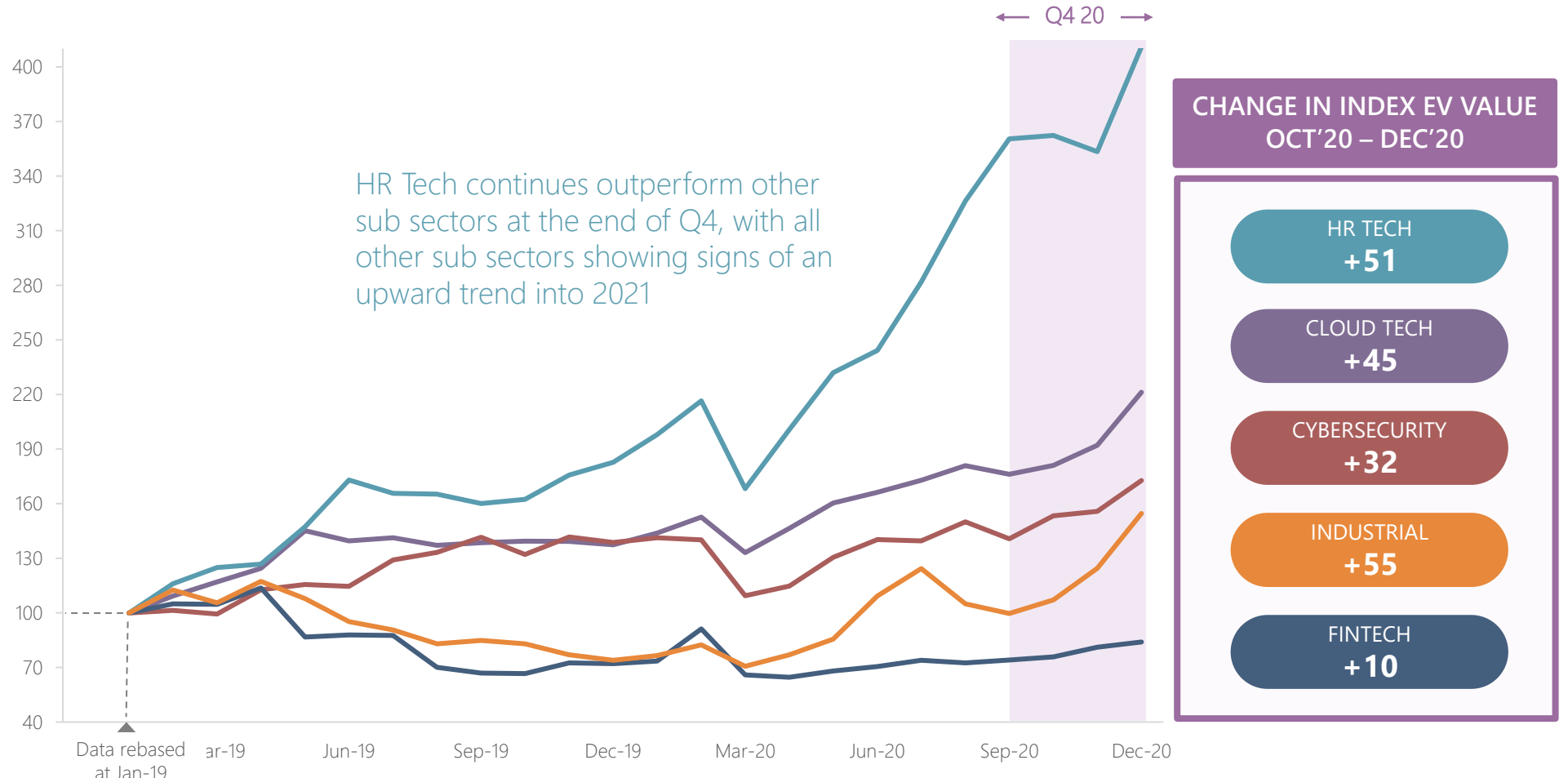
Source: Capital IQ, Pitchbook, Silverpeak

Methodology: Data points are a median of daily median EV values over a month.

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Quarterly change in operating metrics

MEDIAN REVENUE MULTIPLE

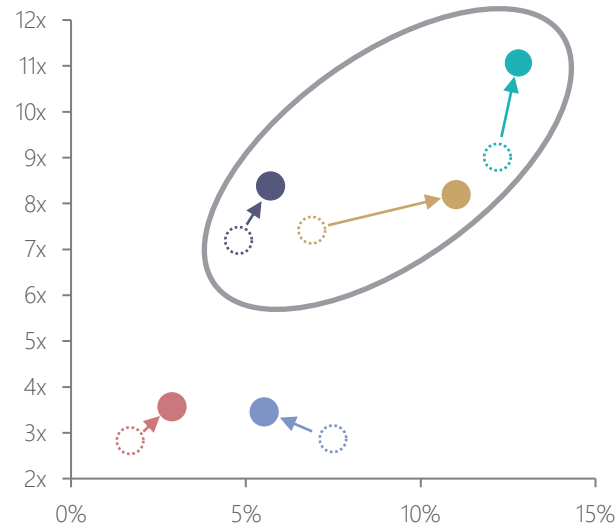MEDIAN FORECAST ANNUAL REVENUE GROWTH

MEDIAN EBITDA MARGIN

MEDIAN FORECAST ANNUAL REVENUE GROWTH
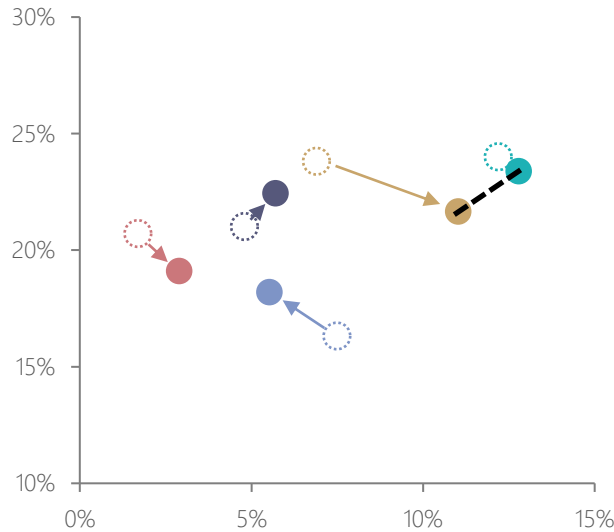
Application software median revenue multiples have **continued to increase** in Q4

Median annual forecast revenue growth **remains stable in Q4** outside of US Horizontal

	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q4 2020	●	●	●	●	●
Q3 2020	○	○	○	○	○

Note: Q4 2020 multiples are taken at 31/12/20, LTM

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Company Categorisation – By Type

For comparison purposes, we've grouped companies covered in the report into one of five categories
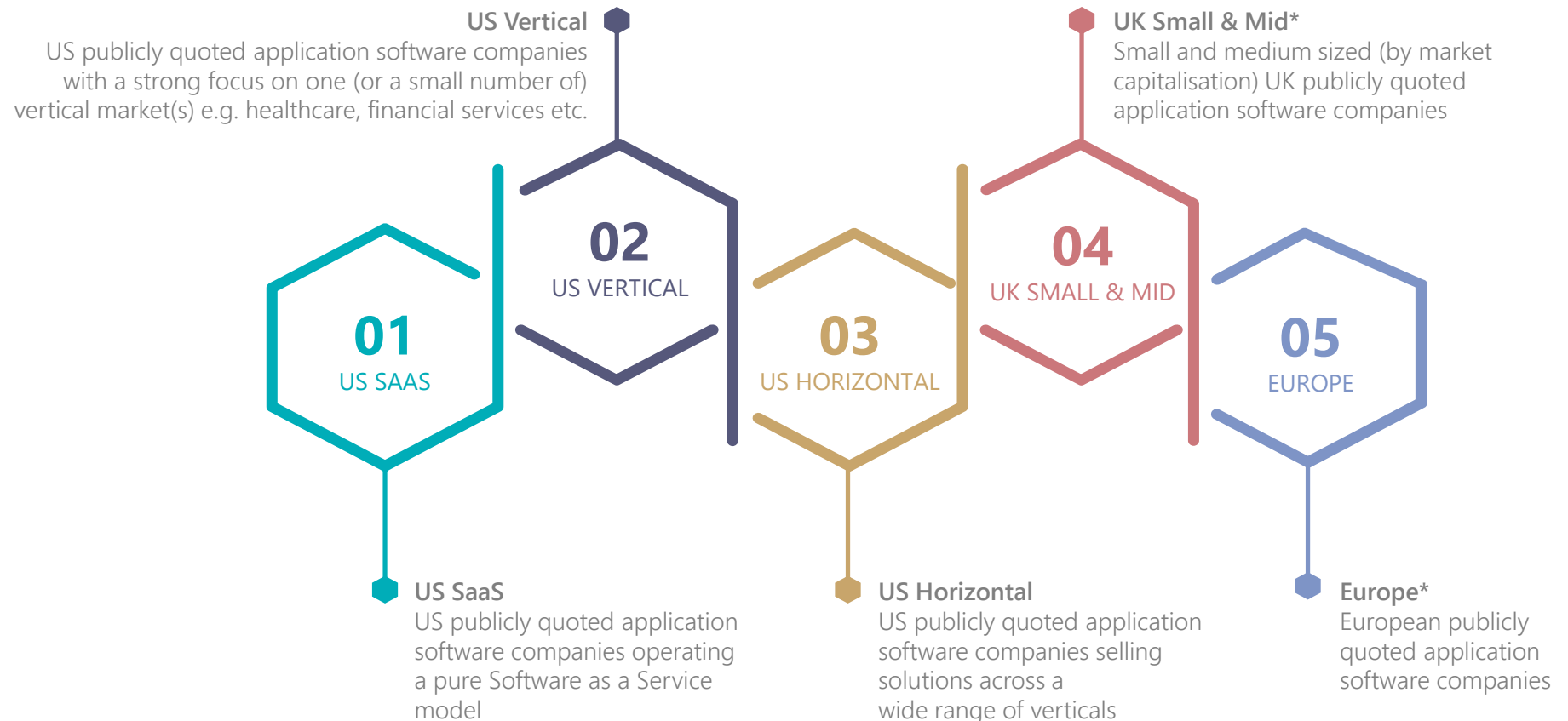
US Vertical
US publicly quoted application software companies with a strong focus on one (or a small number of) vertical market(s) e.g. healthcare, financial services etc.

UK Small & Mid*
Small and medium sized (by market capitalisation) UK publicly quoted application software companies

02
US VERTICAL

04
UK SMALL & MID

01
US SAAS

03
US HORIZONTAL

05
EUROPE

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

US Horizontal
US publicly quoted application software companies selling solutions across a wide range of verticals

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

London | Paris | Milan | San Francisco | Shanghai

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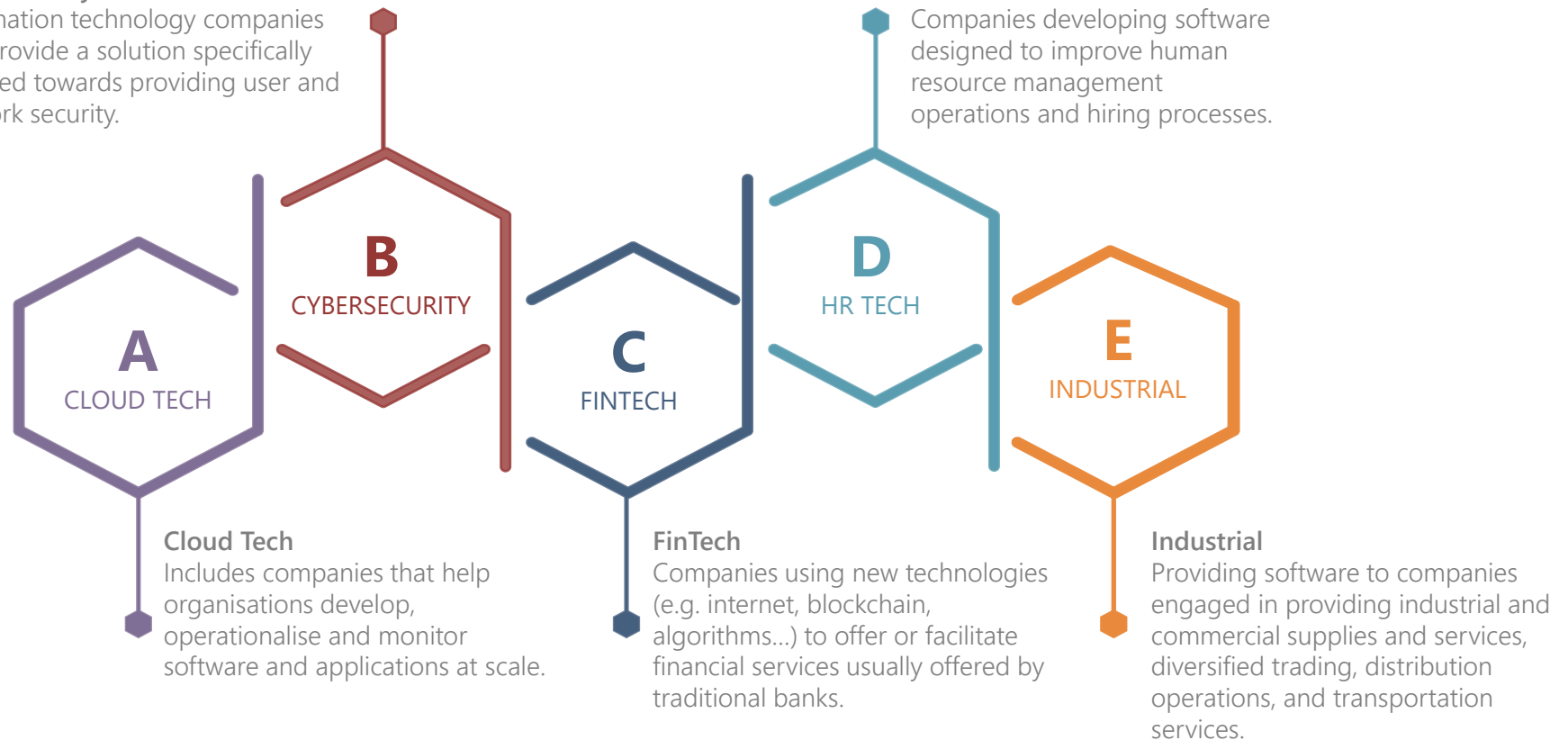# Company Categorisation – By Sub Sector

The data set was further categorised by the most common sub sectors

Cybersecurity
Information technology companies that provide a solution specifically oriented towards providing user and network security.

HR Tech
Companies developing software designed to improve human resource management operations and hiring processes.

B
CYBERSECURITY

D
HR TECH

A
CLOUD TECH

C
FINTECH

E
INDUSTRIAL

Cloud Tech
Includes companies that help organisations develop, operationalise and monitor software and applications at scale.

FinTech
Companies using new technologies (e.g. internet, blockchain, algorithms...) to offer or facilitate financial services usually offered by traditional banks.

Industrial
Providing software to companies engaged in providing industrial and commercial supplies and services, diversified trading, distribution operations, and transportation services.

Source: Capital IQ, Pitchbook, Silverpeak

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