

SOFTWARE BENCHMARK REPORT

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EBITDA multiples almost universally increase while revenue multiples decline

# 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 564 companies.



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## VALUATION HIGHLIGHTS

US VERTICAL	+16%	EV / REV
UK	+7%	EV / REV
INDUSTRIALS	+10%	EV / REV
NORDICS	+23%	EV / EBITDA

Glossary and methodology on page 17

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In the private market, we are seeing the impact of AI on valuations as investors assess the medium-term impact of AI displacement on growth potential and Total Addressable Market, compared to companies where integrating AI boosts market opportunities.

PADDY MccGWIRE  
MANAGING PARTNER, SILVERPEAK



## KEY FINDINGS

- US Vertical leads with a strong 16% increase in EV/Revenue multiples, outperforming other categories which experienced declines.
- The UK is the only regional market experiencing an increase in both EBITDA and revenue multiples.
- In parallel with rising revenue growth forecasts, EBITDA margins are being squeezed down, despite investors prioritising profitability.

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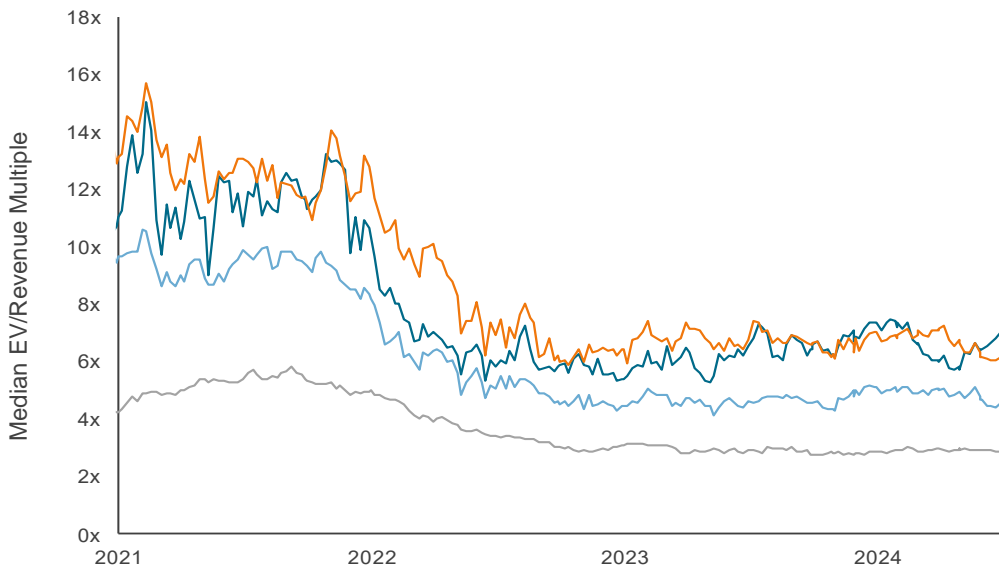
SECTION 1

# Category valuation multiples

# US Vertical strongly outperforms the market, whilst US SaaS and Horizontal declined

On an EV/Revenue basis, US Vertical was the standout performer and the only one of our categories which experienced an increase in its multiple quarter-on-quarter (QoQ). The other regions in our dataset all experienced declines, with US SaaS the most prominent at -13% QoQ.

SOFTWARE CATEGORY VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021- Q2 24



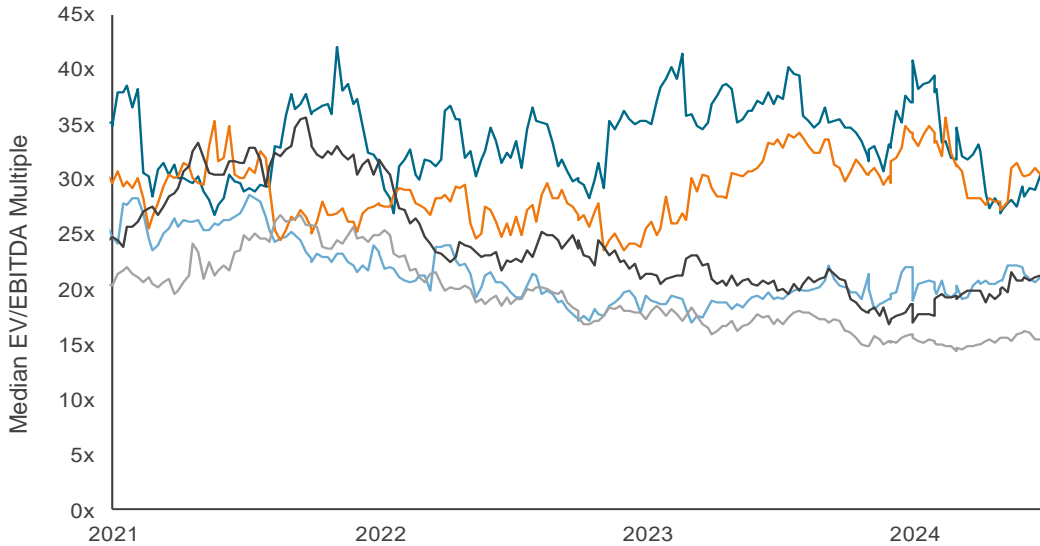
US Vertical	US SaaS	US Horizontal	Europe
7.03x	6.16x	4.59x	2.88x
QoQ change			
16% ▲	-13% ▼	-9% ▼	-4% ▼
YoY change			
7% ▲	-9% ▼	-1% ▼	-2% ▼

In US Vertical, a strong QoQ increase of 16% and a year-on-year (YoY) rise of 7% have brought the current multiple to 7.03x, indicating a rebound in this sector. The top performer in US Vertical was enterprise software provider Digimarc Corporation with a QoQ increase of 45.1% having seen a 52% increase in commercial subscription revenues.

Conversely, US SaaS has faced significant downward pressure, with a QoQ decline of 13% and a YoY drop of 9%, bringing its multiple to 6.16x. The US Horizontal has not been spared from declines either, with a notable 9% QoQ decrease and a 1% YoY drop, resulting in a current multiple of 4.95x. European software companies, while less volatile, still show a 4% QoQ decline and a 2% YoY decrease, stabilising at a multiple of 2.88x.

For median EV/EBITDA multiples across our software categories from 2021 to Q2 2024, the reverse picture compared to EV / SaaS multiples was apparent, with US Vertical experiencing declines QoQ and the rest of the categories in our dataset rebounding positively.

SOFTWARE CATEGORY VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021- Q2 24



US vertical 29.01x	US SaaS 31.21x	US horizontal 21.88x	Europe 15.86x
QoQ change -13% ▼	10% ▲	5% ▲	5% ▲
YoY change -23% ▼	-7% ▼	14% ▲	-8% ▼

The US SaaS category has shown a notable QoQ increase of 10%, with the current multiple standing at 31.21x. This rise is particularly significant despite a YoY decline of 7%. A good illustration of this QoQ increase was Mitek Systems, which experienced a 32.4% boost in its EBITDA multiple. The AI biometric company released a patent for the voice activation of user devices.

In contrast, US Vertical stands at 29.01x, facing a 13% QoQ decrease and a substantial 23% YoY drop. This appears to be the only category where investors are putting more weight on revenue metrics than profitability. Meanwhile, both US Horizontal and Europe increased by 5% QoQ, suggesting that EBITDA continues to be a focus. US Horizontal has a current multiple of 21.88x, reflecting a 14% YoY rise. In Europe, the multiple stands at 15.86x; however, its longer-term trend is downward, with an 8% decline YoY.



SECTION 2

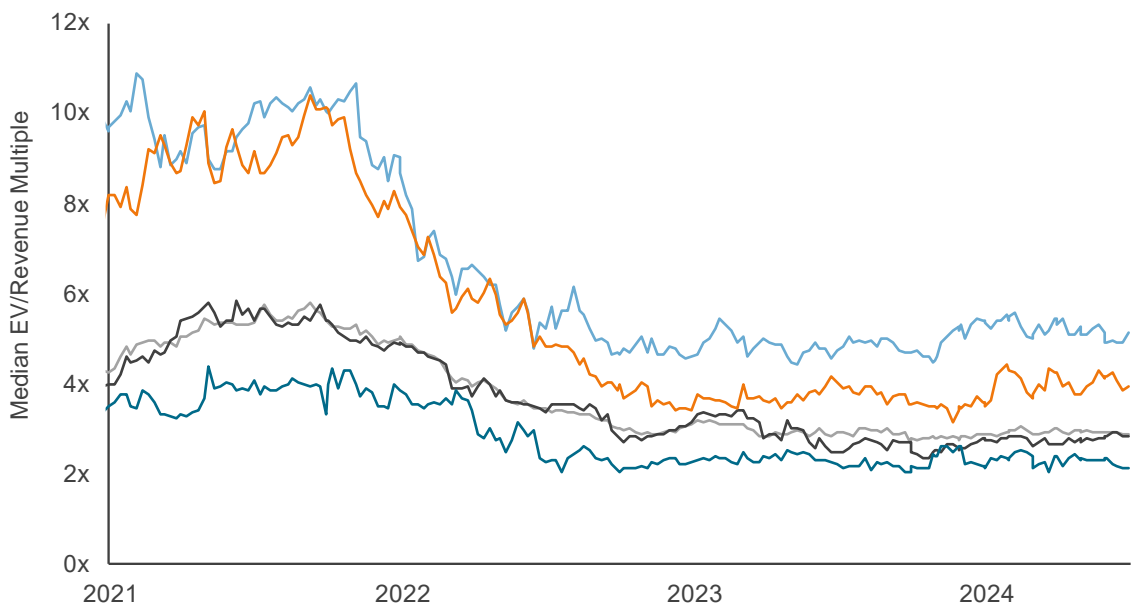
# Valuation multiples by region



# UK experienced improved valuations on a revenue basis whilst Europe, DACH, NORDICS and US were subject to declines

Looking at our different regions in the data set, the UK performed relatively strongly in this quarter on a median EV/Revenue basis, whilst other regions experienced moderate declines.

REGIONAL US & EUROPEAN VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021 – Q2 24



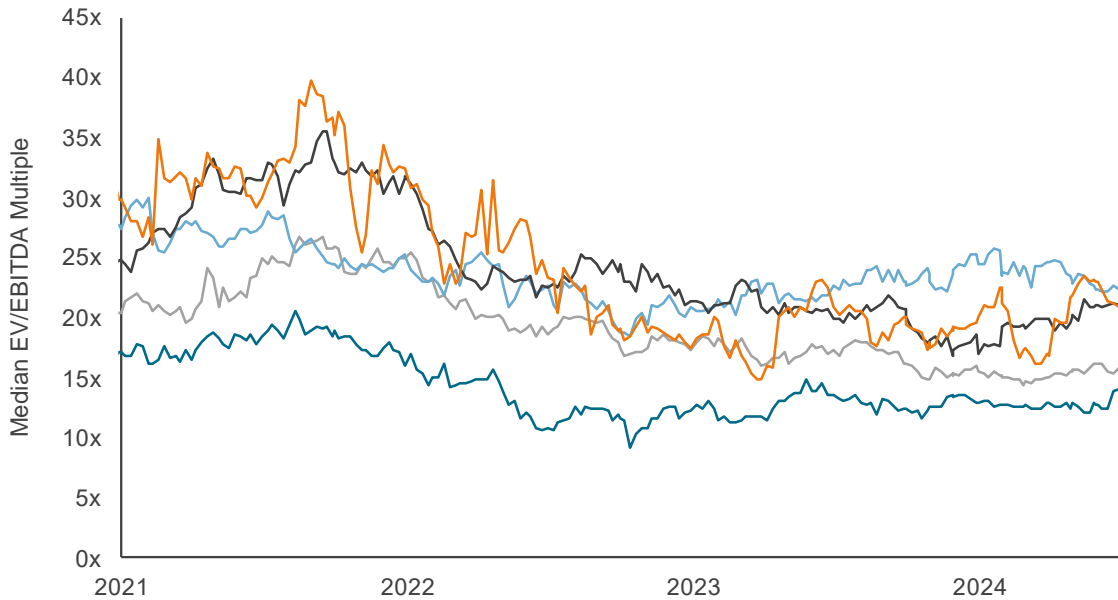
US	Europe	UK	DACH	Nordics
5.14x	2.88x	2.85x	2.12x	3.92x
QoQ change				
-6% ▼	-4% ▼	7% ▲	-11% ▼	-8% ▼
YoY change				
9% ▲	-2% ▼	15% ▲	-5% ▼	-3% ▼

The UK market has shown strong resilience, currently holding a multiple of 2.85x and experiencing the strongest gains this quarter with a 7% rise. This impressive growth has had notable UK companies such as Access Intelligence (Pulsar Group) and Crimson Tide, which saw their QoQ multiples soar by 68.9% and 75.4%, respectively. Additionally, the UK is up 15% YoY, which is the highest growth out of all regions on an EV/Revenue basis.

In contrast, the US market has a current multiple of 5.14x, reflecting a QoQ decline of 6%. Europe, as a whole, stands at 2.88x, with a QoQ drop of 4%. The DACH region's multiple is 2.12x, experiencing an 11% QoQ decline, while the Nordics have a multiple of 3.92x, showing an 8% QoQ decline.

On an EBITDA basis, the Nordics experienced very strong multiple growth this quarter, whilst the rest of Europe also performed well. The US was the only region to experience a decline QoQ, however persists with the highest multiple overall.

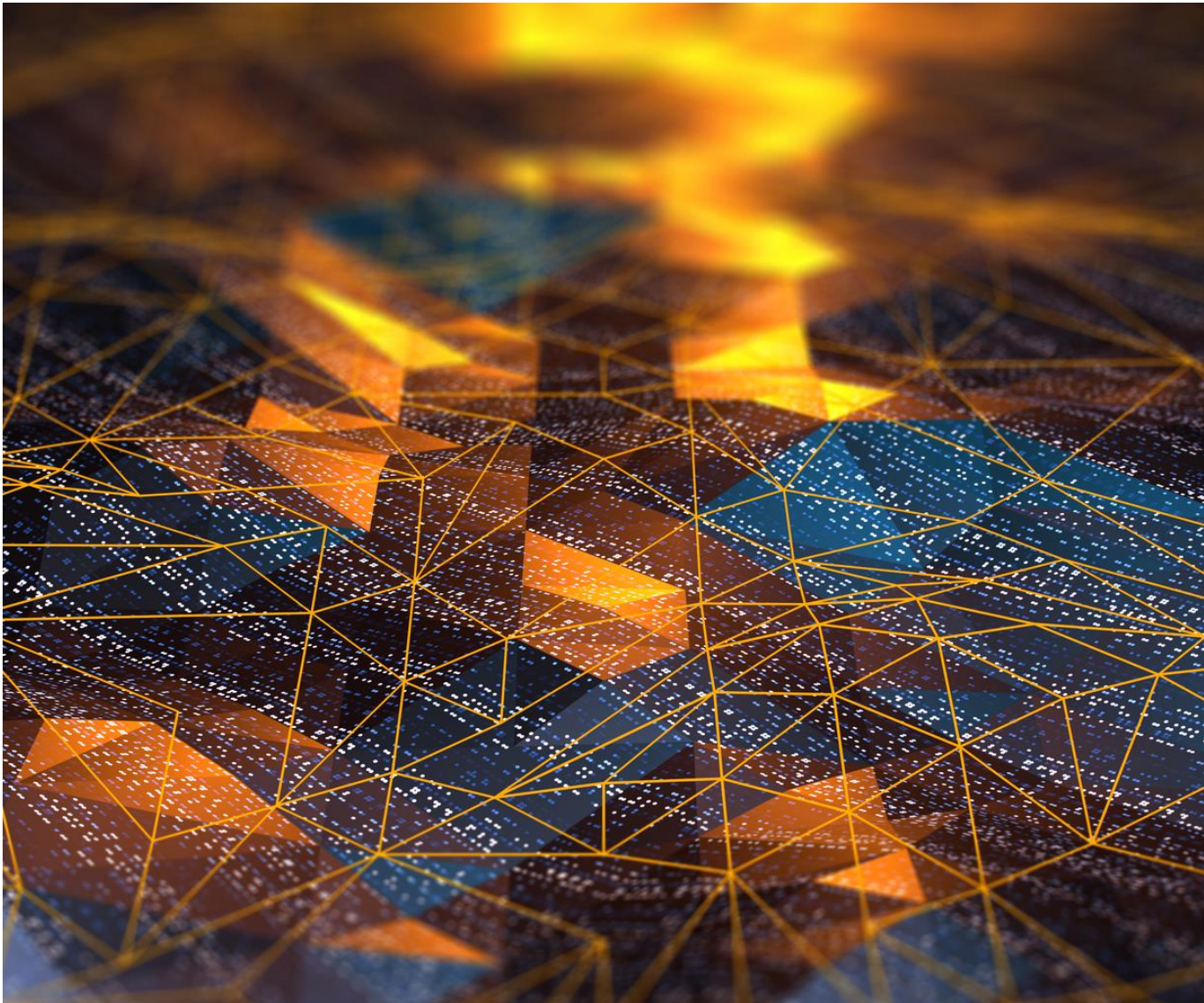
REGIONAL US & EUROPEAN VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021 - Q2 24



US	Europe	UK	DACH	NORDICS
22.37x	15.86x	21.09x	14.02x	20.97x
QoQ change				
-9% ▼	5% ▲	6% ▲	9% ▲	23% ▲
YoY change				
-1% ▲	-8% ▼	6% ▼	3% ▲	0% ▲

The Nordics continued their upward trajectory, with the current multiple at 20.97x, showcasing a significant QoQ increase of 23%. A standout performer in this region was Enea AB, a telecom & cybersecurity software company, which saw its multiple surge by an impressive 159.1% from the previous quarter. This trend highlights how the Nordics are being valued by investors similarly to the US on an EBITDA basis. With the US market holding a multiple of 22.37x, the close alignment underscores the quality of technology businesses in the Nordic region.

The US experienced a 9% QoQ decline this quarter whilst Europe stands at 15.86x, with a QoQ increase of 5%. The UK, with a current multiple of 21.09x, saw a 6% QoQ rise, driven by companies such as Altitude Group and AI autonomous finance software provider Aptitude which saw increases of 47.1% and 22.6%, respectively. The DACH region has a multiple of 14.02x, reflecting a 9% QoQ increase. These figures highlight the varying regional dynamics, with the Nordics and DACH showing substantial gains, while the US faces a decline.

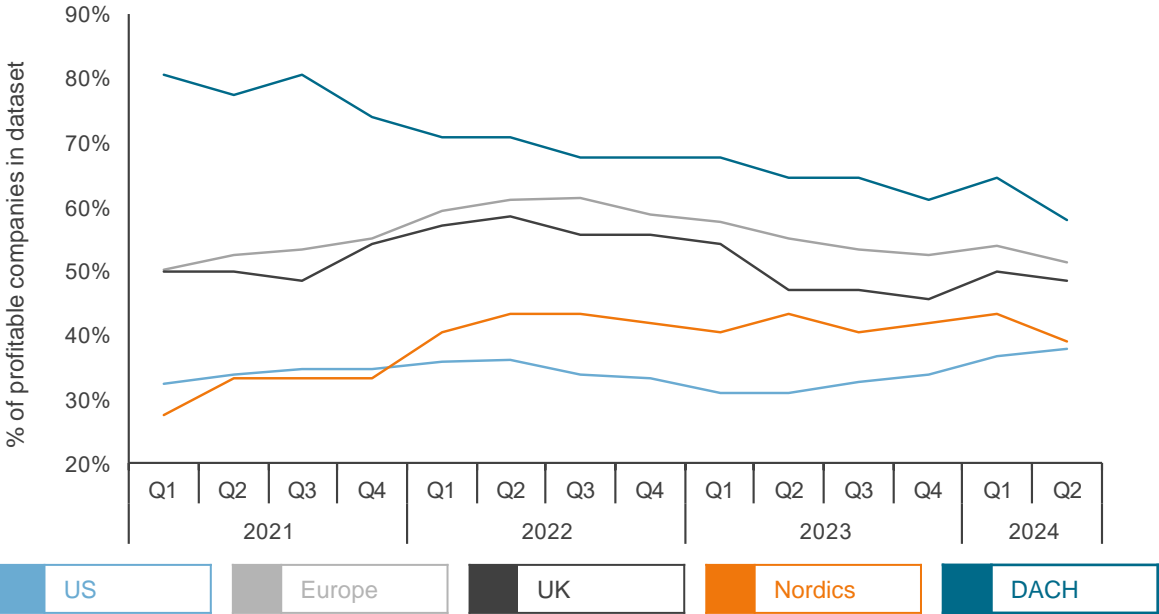


SECTION 3

# Operating metrics

The number of profitable companies in our dataset declined across all regions, except the US

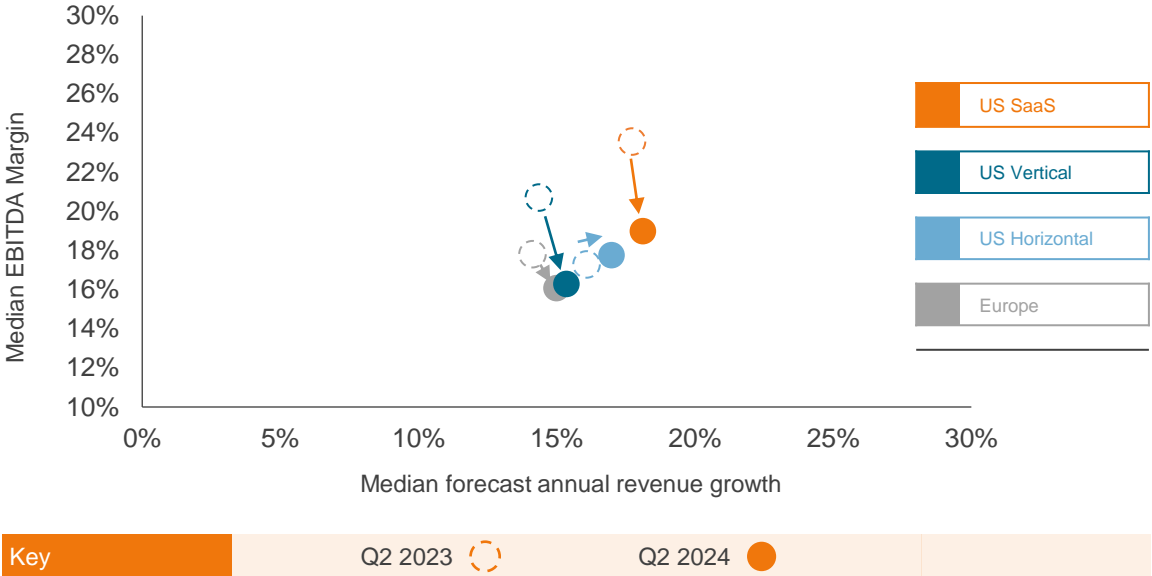
REGIONAL US & EUROPEAN PROFITABILITY METRICS: EBITDA POSITIVE COMPANIES 2021- Q2 24



In the US, there was a slight increase in the number of profitable companies in our dataset, rising from 37% in Q1 2024 to 38% in Q2 2024. The rest of our regions showed declines, which was a reversal from the trends we have seen in previous 2 quarters.

The DACH region experienced the most noticeable decline, dropping from approximately 65% in Q2 2024 to around 58% in Q2 2024. In the Nordics, the percentage of profitable companies decreased from 43% in Q1 2024 to 39% in Q2 2024. The UK saw only a slight dip, with profitability decreasing from 50% in Q1 to 49% in Q2 2024.

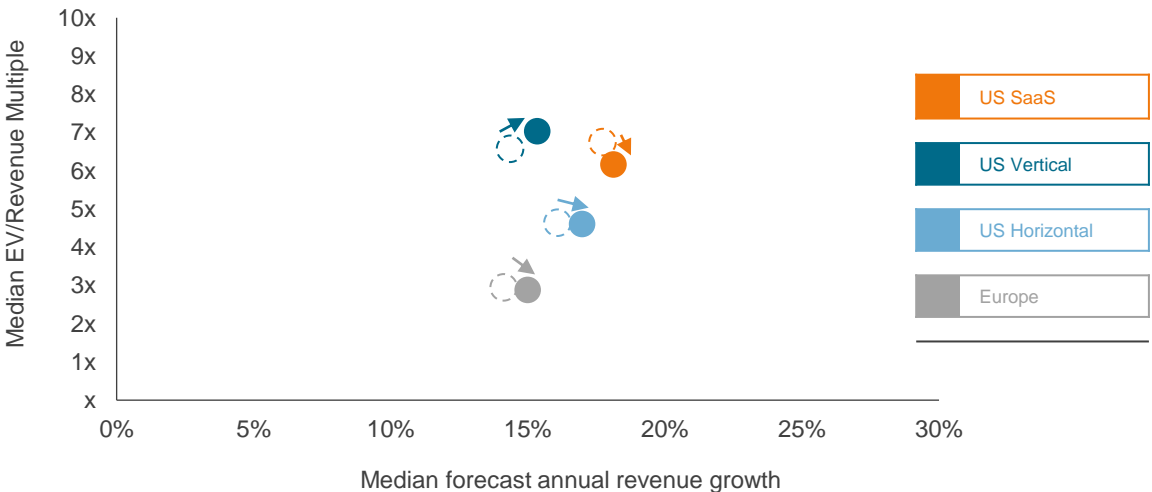
SOFTWARE CATEGORY OPERATING METRICS: EBITDA MARGIN vs REV GROWTH (F) 2021 - Q2 24



Median EBITDA margins fell for US SaaS, US Vertical, and Europe, while US Horizontal experienced a slight YoY increase. US SaaS saw the largest decline, falling by 5% YoY, followed closely by US Vertical with a 4% YoY decrease. The various categories were, however, more optimistic about their forecast annual revenue growth, which showed each increasing by 1%. These projections likely stem from improved economic growth and outlooks in the global macroeconomy.

However, on a revenue multiple basis, only US Vertical showed an increase, up by 6% YoY, while the other categories experienced declines. Despite these improved revenue projections, investors have not responded by valuing this forecast growth with a higher revenue multiple.

SOFTWARE CATEGORY OPERATING METRICS: EV / REV vs REV GROWTH (F) 2021 - Q2 24



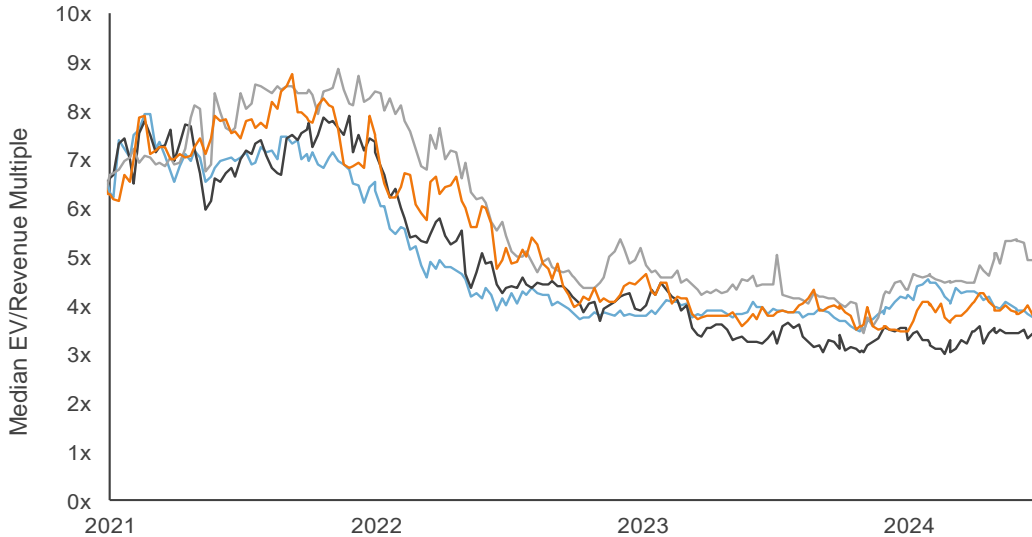


SECTION 4

# Sector valuation multiples

# All sectors decline on a revenue basis whilst EBITDA multiples hold firm

SOFTWARE SECTOR VALUATION METRICS: MEDIAN EV / REVENUE MULTIPLES 2021 - Q2 24



Security	Enterprise	Fintech	Industrials
3.91x	3.94x	3.42x	4.91x
QoQ change			
-4% ▼	-9% ▼	-2% ▼	10% ▲
YoY change			
3% ▲	0%	-1% ▼	11% ▲

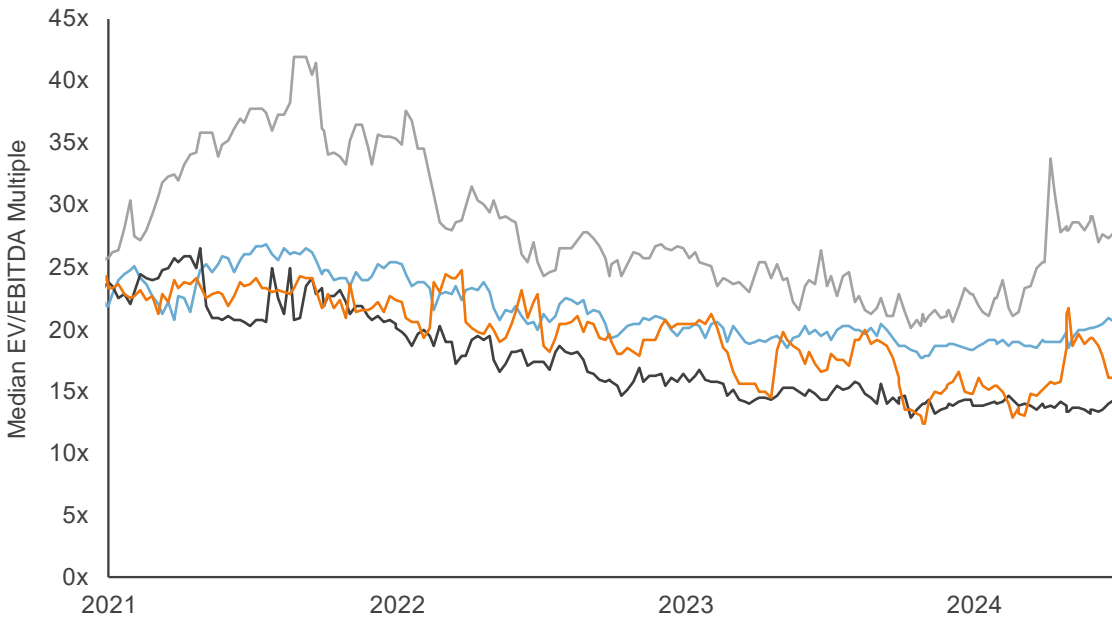
Across sector categories, Industrials leads with a median EV/Revenue multiple of 4.91x, boasting a 10% QoQ increase and an impressive 11% YoY growth. This highlights the sector's resilience and strong adoption of industrial software solutions. Some notable performers included Altair Engineering which published strong quarterly results, beating revenue forecasts and EPS.

In contrast, the Enterprise software sector's multiple stands at 3.94x, with a 9% QoQ decline and no YoY change, reflecting investor concerns. Security software is at 3.91x, down 4% QoQ but up 3% YoY, indicating steady recovery amid rising cybersecurity demand. Fintech's multiple is 3.42x, showing a slight QoQ decrease of 2%, marking a longer-term stabilisation of a sector which had been subject to volatility in FY23.

On an EV/EBITDA basis, the Industrials sector has emerged as the standout performer, with its current multiple soaring to 27.82x. This impressive figure reflects a substantial QoQ increase of 10% and a significant YoY rise of 19%. The sector's robust growth has been driven by companies such as Eleco Plc and Volue ASA, which reported YoY increases of 33.4% and 28%, respectively.

In comparison, the Security sector's current multiple stands at 15.96x, showing a QoQ increase of 6% but a YoY decline of 4%. The Enterprise sector, at 20.53x, boasts a significant QoQ rise of 8% and a YoY increase of 4%. Meanwhile, the Fintech sector's multiple is 14.22x, with a slight QoQ increase of 3% and a stable YoY change.

SOFTWARE SECTOR VALUATION METRICS: MEDIAN EV / EBITDA MULTIPLES 2021 - Q2 24



Security	Enterprise	Fintech	Industrials
15.96x	20.53x	14.22x	27.82x
QoQ change			
6% ▲	8% ▲	3% ▲	10% ▲
YoY change			
-4% ▼	4% ▲	0% ▼	19% ▲





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 (227)

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

#### US SaaS (79)

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 (196)

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 (199)

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

#### Fintech (75)

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

#### Industrials (25)

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>DK <span style="float: right;">Apr 2024</span></p> <p><b>FOUNDERS</b></p> <p>Venture Capital</p> <p>Fintech single asset secondary sale</p> <p>MULTIPLE INVESTORS</p>	<p>BE   IE <span style="float: right;">Feb 2024</span></p> <p> <b>GemSeek</b></p> <p>Data science &amp; analytics provider for CX transformation</p> <p>Sale to</p> <p></p>	<p>CA   US   UK   ROW <span style="float: right;">Aug 2023</span></p> <p></p> <p>Photonically networked silicon spin quantum computers</p> <p>\$100m financing</p> <p> </p> <p> </p> <p><b>inovia</b></p>
<p>UK   UAE <span style="float: right;">Aug 2023</span></p> <p> <b>SHIPSERV</b></p> <p>Maritime e-procurement platform</p> <p>Sale to</p> <p> backed by</p> <p></p>	<p>UK   JP   WW <span style="float: right;">Apr 2023</span></p> <p> <b>zodia</b> CUSTODY</p> <p>Institutional digital asset infrastructure provider</p> <p>\$36m Series A financing</p> <p> </p> <p>AND UNDISCLOSED INVESTORS</p>	<p>EU   UK   FR <span style="float: right;">Mar 2023</span></p> <p> <b>SIPEARL</b></p> <p>High-end CPU for HPC and data centres</p> <p>€115m Series A financing</p> <p> </p> <p> </p> <p><b>arm</b></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 OF GEMSEEK

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