

Silverpeak Benchmark Report Q1 2020

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



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Silverpeak advises outstanding growth technology companies on M&A and financing transactions



European clients – **Global** counterparties

EU | US

UNDISCLOSED

Technology platform

Sale

A **FAANG**

December 2019

GB | US

VIRTUAL CLARITY

Cloud transformation consultancy

Sale

DXC.technology

November 2019

EU | EU

UNDISCLOSED

SaaS FinTech platform

Fundraise

\$150m

September 2019

FR | US

sentryo

M2M cybersecurity for the industrial internet

Sale

CISCO

August 2019

GB | GB | US

oxbotica

Autonomous vehicle software

Investment by

PARKWALK

ipgroup **AXA** **XL GROUP**

July 2019

GB | GB

thoughtonomy

Intelligent automation

Sale

blueprism

July 2019

US | NL | BE

CHOICE HOTELS **Maxxton**

Hospitality ERP SaaS

Sale

FORTINO CAPITAL

June 2019

GB | GB

LOOT

Digital bank

Investment by

RBS **Bó**

December 2018

IT | NL

GREEN BIT

BIOMETRIC SYSTEMS

Fingerprint scanners & software

Sale

gemalto security to be free

December 2018

GB | IE

dictate.it

Clinical speech recognition services & software

Sale

Clanwilliam group

December 2018

Key Takeaways

COVID-19 triggers a significant market decline

01

The unprecedented COVID-19 pandemic has resulted in a U-turn of last quarter's growing revenue multiples, which has also amplified the decline of EBITDA multiples across all categories. Europe, UK Small & Mid and US Vertical revenue multiples have all sunk to pre-2015 levels*.

02

US Horizontal revenue multiples have fallen dramatically since their immense growth of 22% last quarter. But, for the first time since mid-2017, US Horizontal EBITDA multiples are now higher than US SaaS multiples, despite having a 3% lower median EBITDA margin.

03

US SaaS revenue multiples have crashed by 28%, to a similar level to Q2 2017, despite only a 1% decline in forecast revenue. In practice, most revenue guidance has been suspended. The multiples fall was amplified for EBITDA multiples, where they now lie at 23.7x, plummeting 40% since last quarter.

04

Proportionate falls in revenue multiples have been greatest in the US. However, reduction in forecast growth is greatest for UK Small & Mid and Europe, both reducing by 1/3 to c.10%.

Report Summary

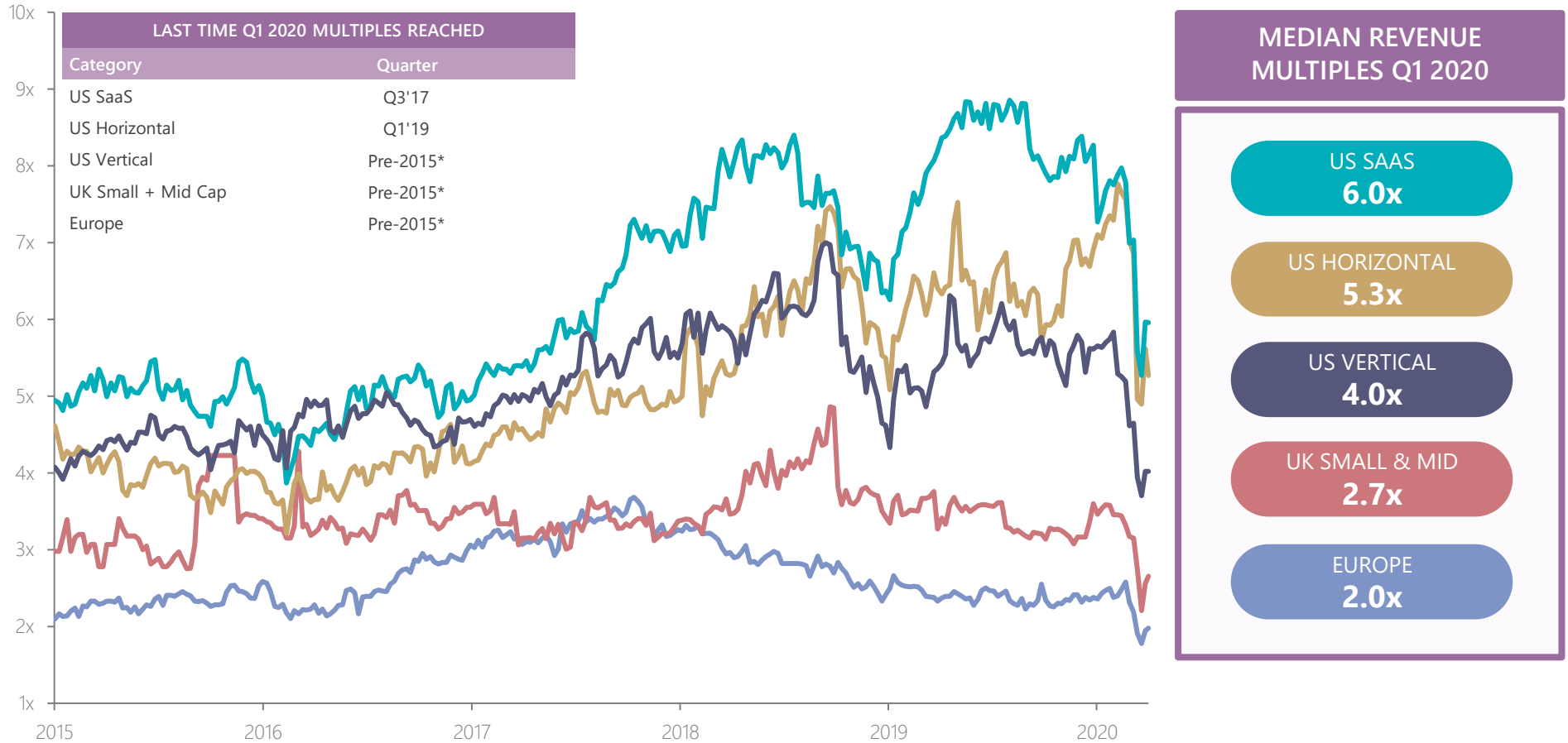
CATEGORY	MEDIAN REVENUE MULTIPLES*		COMMENTARY	
	Q4 2019	Q1 2020		
US SaaS	8.2x	-28% ▼	6.0x	<ul style="list-style-type: none"> Revenue multiples plummeted 28% to their lowest levels since Q3 2017 Median EBITDA margin and forecast annual revenue growth both fell by only 2% respectively US SaaS EBITDA multiples declined by 39% QOQ, the steepest fall out of all the categories
US Vertical	5.7x	-29% ▼	4.0x	<ul style="list-style-type: none"> US Vertical revenue multiples fell sharply by 29% to pre-2015 levels* Forecast annual revenue growth declined by only 1%, despite big falls in multiples Median EBITDA margin grew 1% QOQ, the only increase out of all the categories
US Horizontal	6.9x	-24% ▼	5.3x	<ul style="list-style-type: none"> Revenue multiples fell 24% to their lowest levels since Q1 2019 EBITDA multiples fell 17% to 26x, the second smallest decline out of all the categories In contrast, US Horizontal experienced the greatest decline in QOQ EBITDA margin to 19%
UK Small & Mid	3.4x	-22% ▼	2.7x	<ul style="list-style-type: none"> Revenue multiples fell 22% to 2.7x, to pre-2015 levels* Median EBITDA margin has remained stable at 18% since the last quarter Median forecast annual revenue growth fell 5%, representing close to a 1/3 of its previous value
Europe	2.4x	-17% ▼	2.0x	<ul style="list-style-type: none"> Revenue multiples fell 17% to 2.0x, to pre-2015 levels* EBITDA multiples now equal Q2 2016 levels Median forecast annual revenue growth fell 4%, representing close to a 1/3 of its previous value

Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. * Data set begins in Q1 2015

Median revenue multiples plummet, some to pre-2015 levels*

Application software sector valuation metrics: median **revenue** multiples 2015-2020 Q1

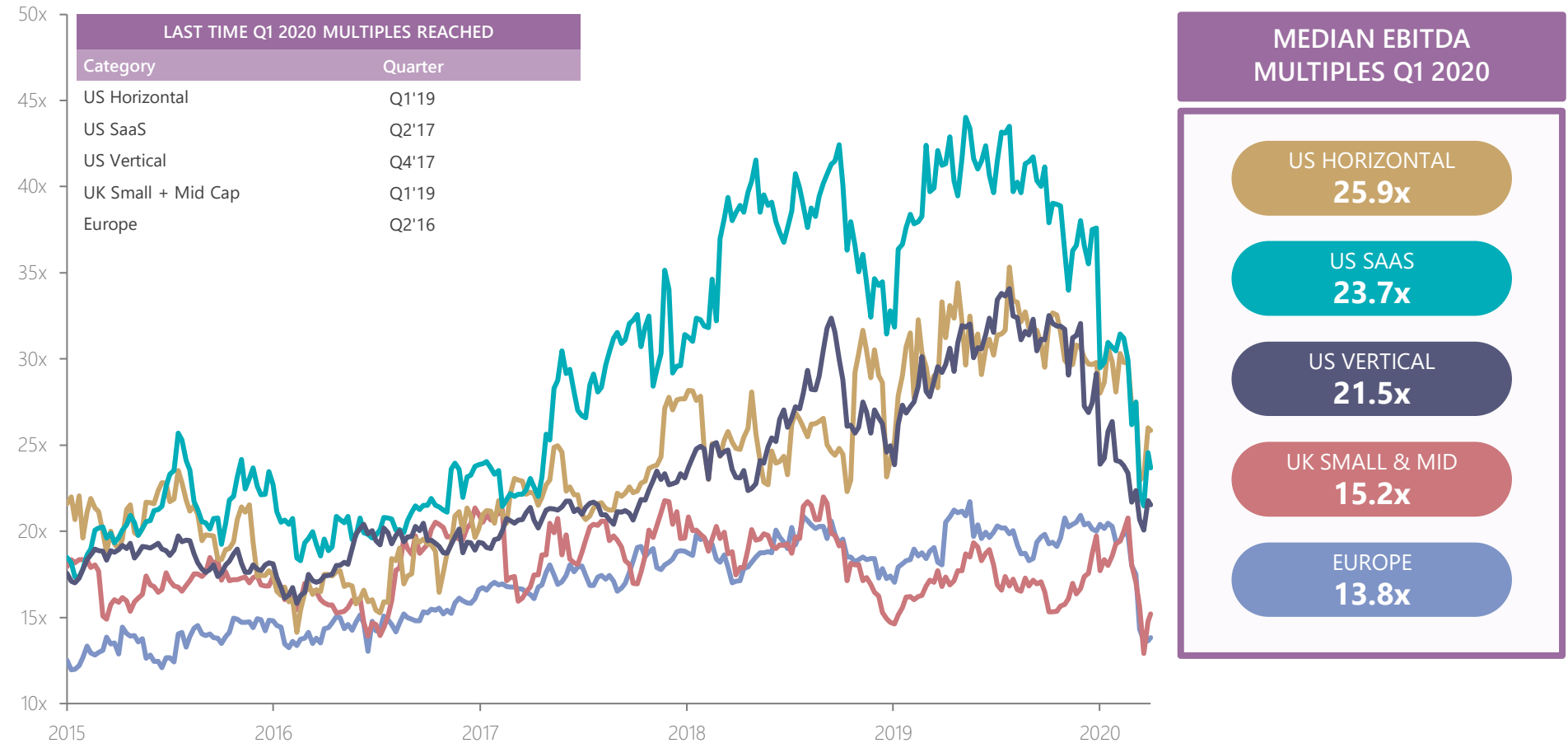


Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. * Data set begins in Q1 2015

US Horizontal multiples overtake US SaaS multiples in market correction

Application software sector valuation metrics: median **EBITDA** multiples 2015-2020 Q1

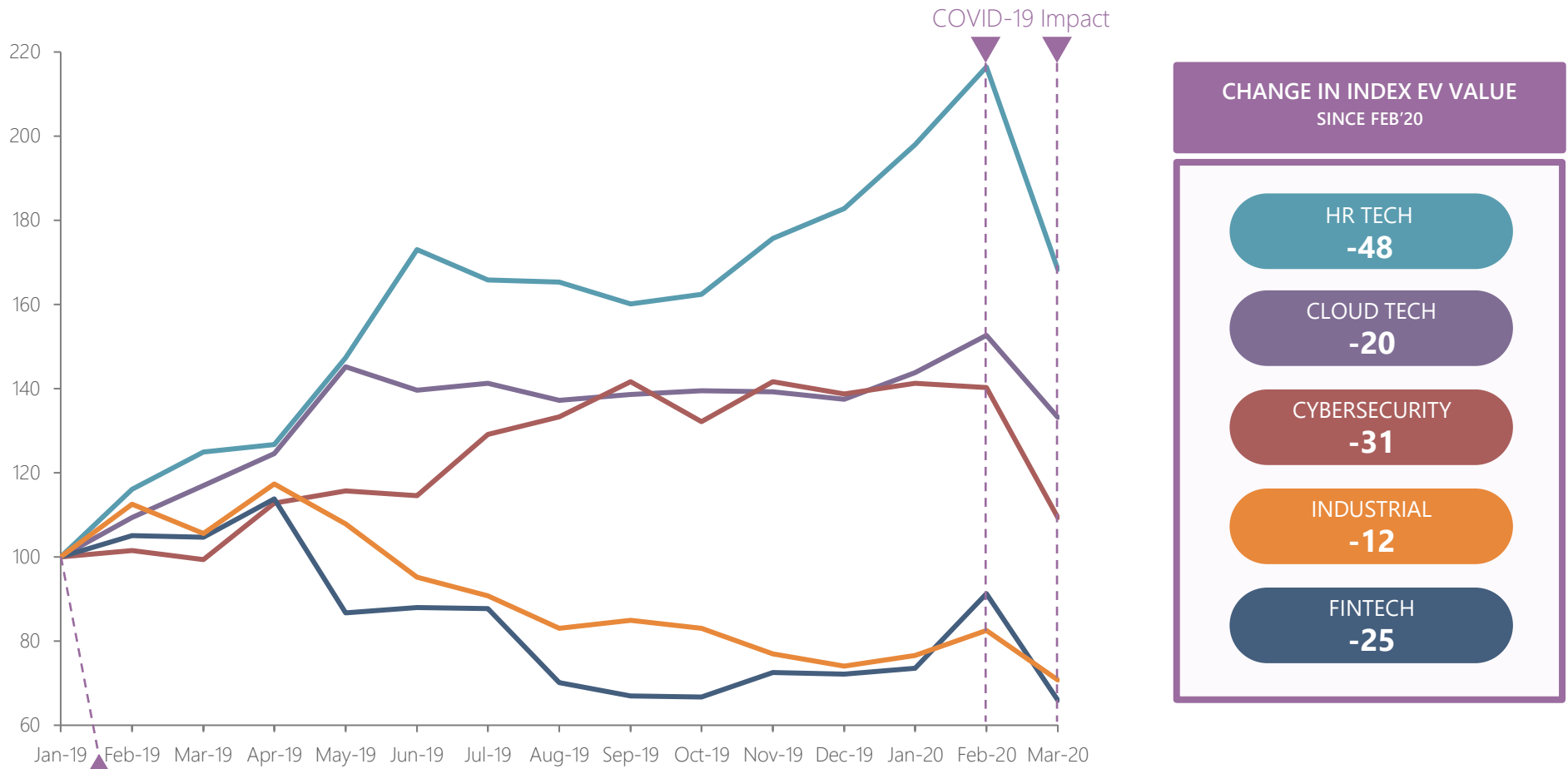


Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM. * Data set begins in Q1 2015

COVID-19's impact on these larger software sub sectors is adverse and varied

Median monthly **Enterprise Value index**, by sub sector, 2019-2020 Q1



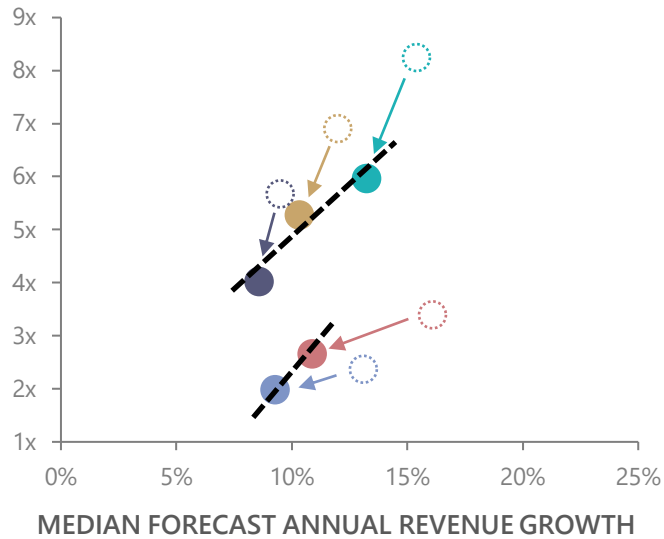
Rebased at Jan'19

Source: Capital IQ, Pitchbook, Silverpeak

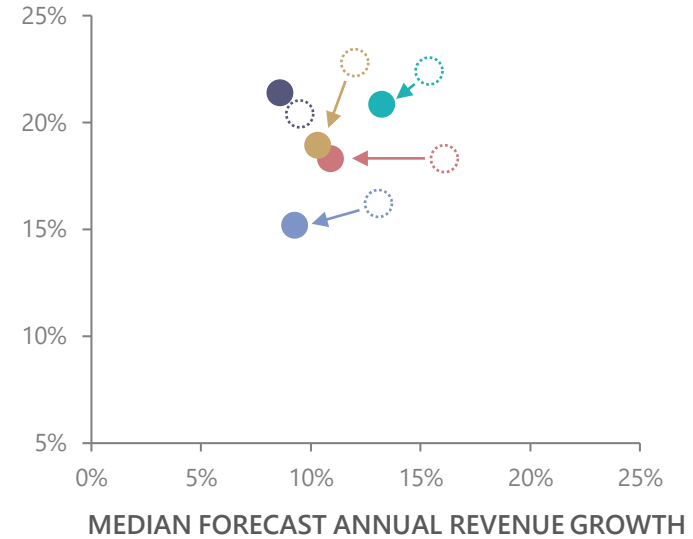
Methodology: Data points are a median of daily median EV values over a month

Application software sector valuation metrics: summary

MEDIAN REVENUE MULTIPLE



MEDIAN EBITDA MARGIN



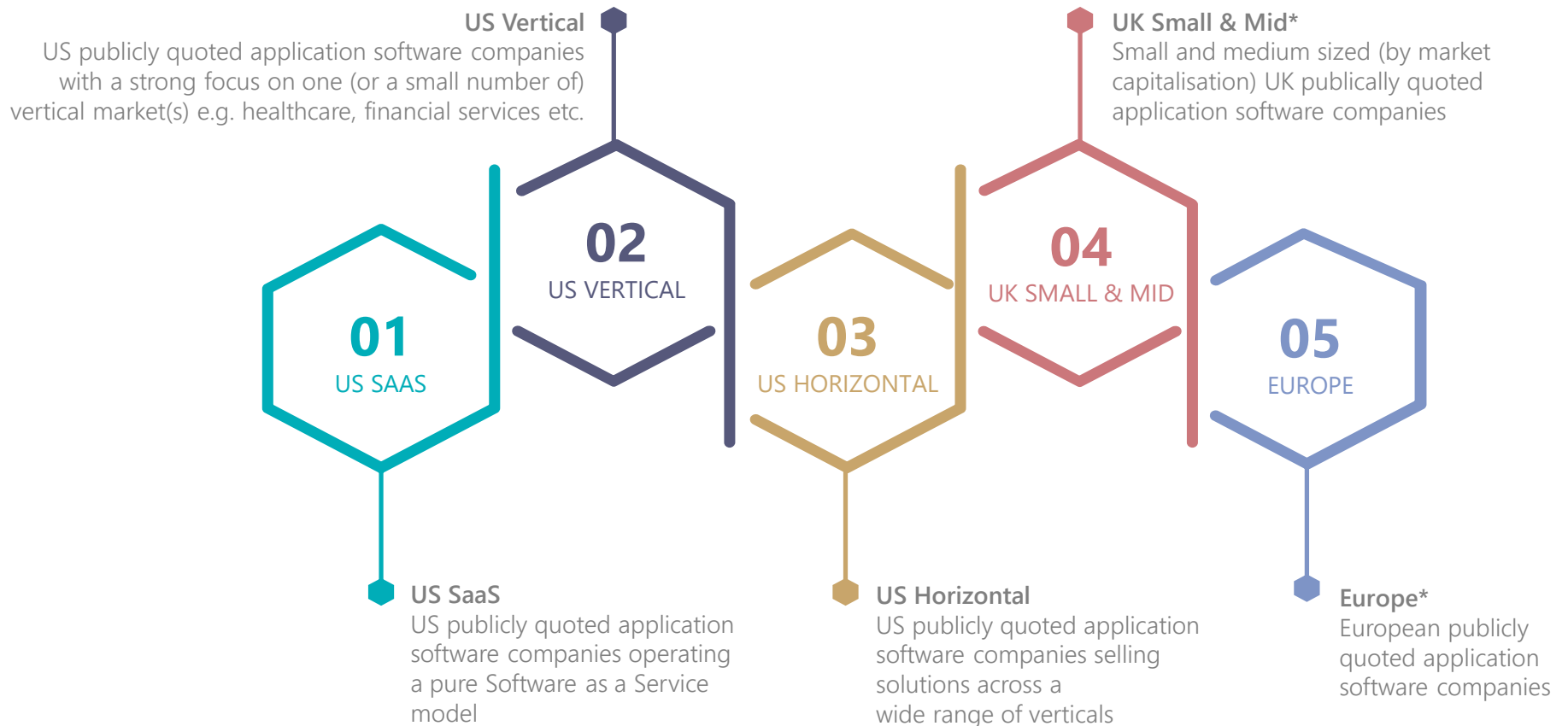
	US SaaS	US Vertical	US Horizontal	UK Small + Mid	Europe
Q1 2020					
Q4 2019					

Source: Capital IQ, Silverpeak

Note: Q1 2020 multiples are taken at 31/03/20, LTM

Company Categorisation – By Type

For comparison purposes, we've grouped companies covered in the report into one of five categories



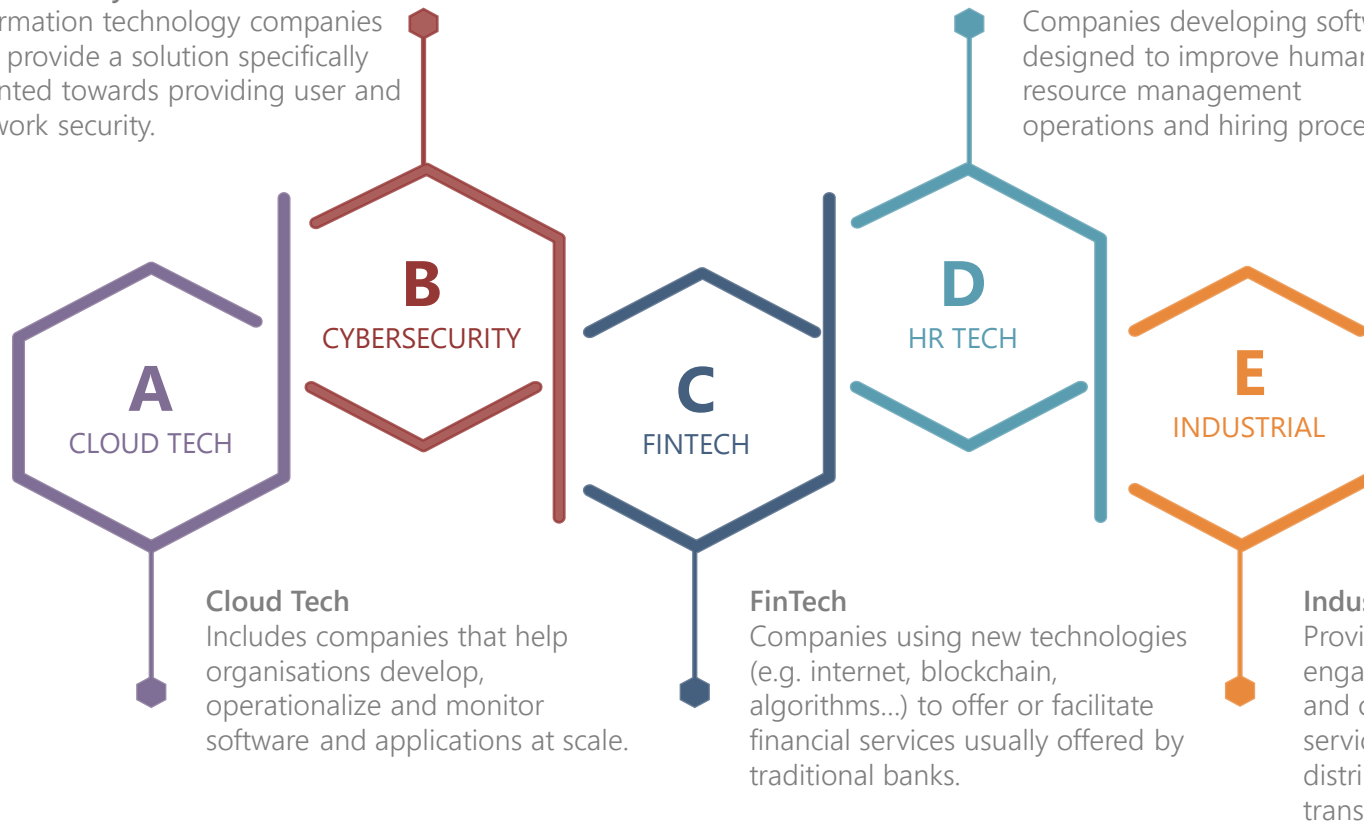
*We've grouped UK and Europe companies in this manner because sample sizes do not permit a breakdown into horizontal vs vertical vs SaaS focused companies

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.



Cloud Tech

Includes companies that help organisations develop, operationalize 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.

HR Tech

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

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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Thank you from Silverpeak