Aventis *Advisors*

Aventis SaaS Index

May 2024 update

About Aventis Advisors

We advise founders of **technology and growth** companies on company exits and strategy.

Our focus sectors are **Software and IT Services.**

Our job is to make sure you **sell at the right time to the right people** for a fair valuation.

Technology M&A focus

New York & Warsaw

Cross-border expertise

Thought leadership

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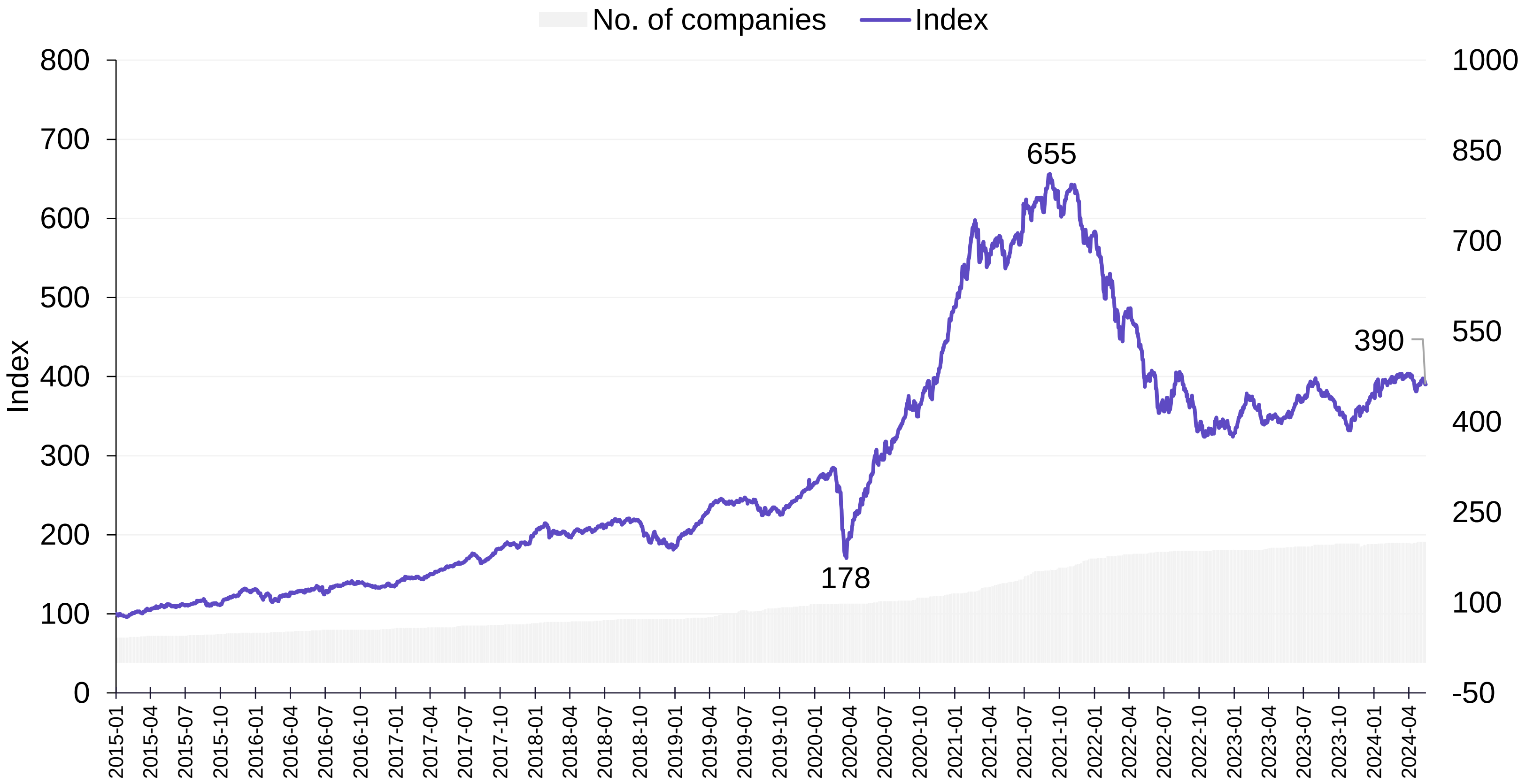
Aventis SaaS Index

The index experienced very strong growth more than tripling the index during mid 2020 to early 2021 period, followed by bust or mean reversion

Aventis SaaS Index, 2015-2024



Note: includes 201 SaaS companies from 27 countries with a revenue of $10M+ as of 15.05.2024

Equal-index; rebalanced monthly at the last business day of the month. Click here for the full methodology.

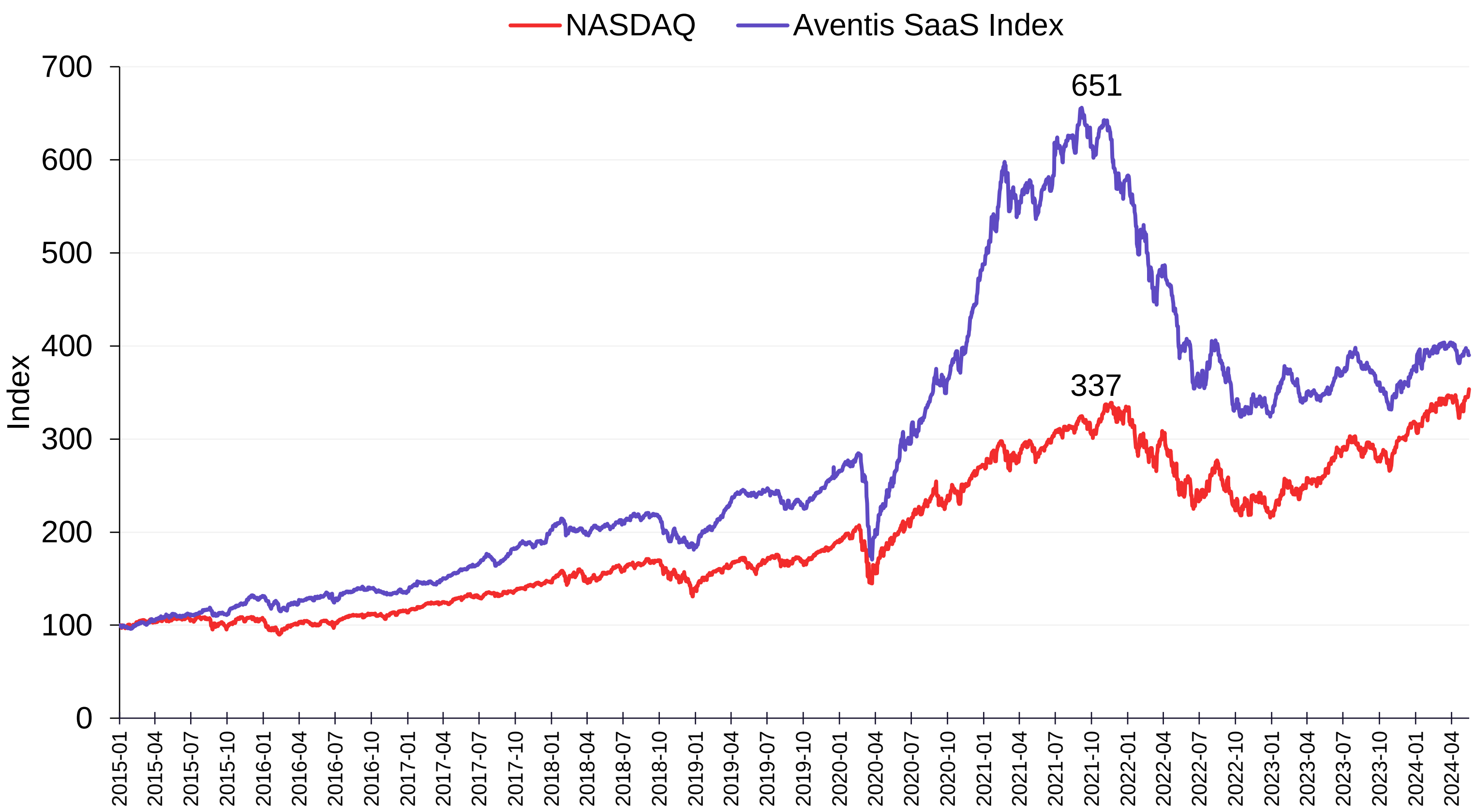
Comments

- The index boomed during the ‘SaaS bubble’ period in 2020-21 and touched a peak of 655 before declining by 40% to 390 by May 2024
- The SaaS bubble period was characterized by loose monetary policy, high dry powder waiting to be allocated by institutional investors
- A combination of industry-specific and broader economic triggers uprooted the steadily growing trend of SaaS companies and pushed the valuations of SaaS companies to record highs after 2020

Aventis SaaS Index vs NASDAQ

The Aventis SaaS index has consistently performed better than NASDAQ with a strong outperformance boom seen in 2021 due to SaaS bubble

Aventis SaaS Index and NASDAQ Composite, 2015-2024



Note: NASDAQ index value is rebased and starts from ‘100’ from 01/01/2015 for a fair comparison and understanding

Comments

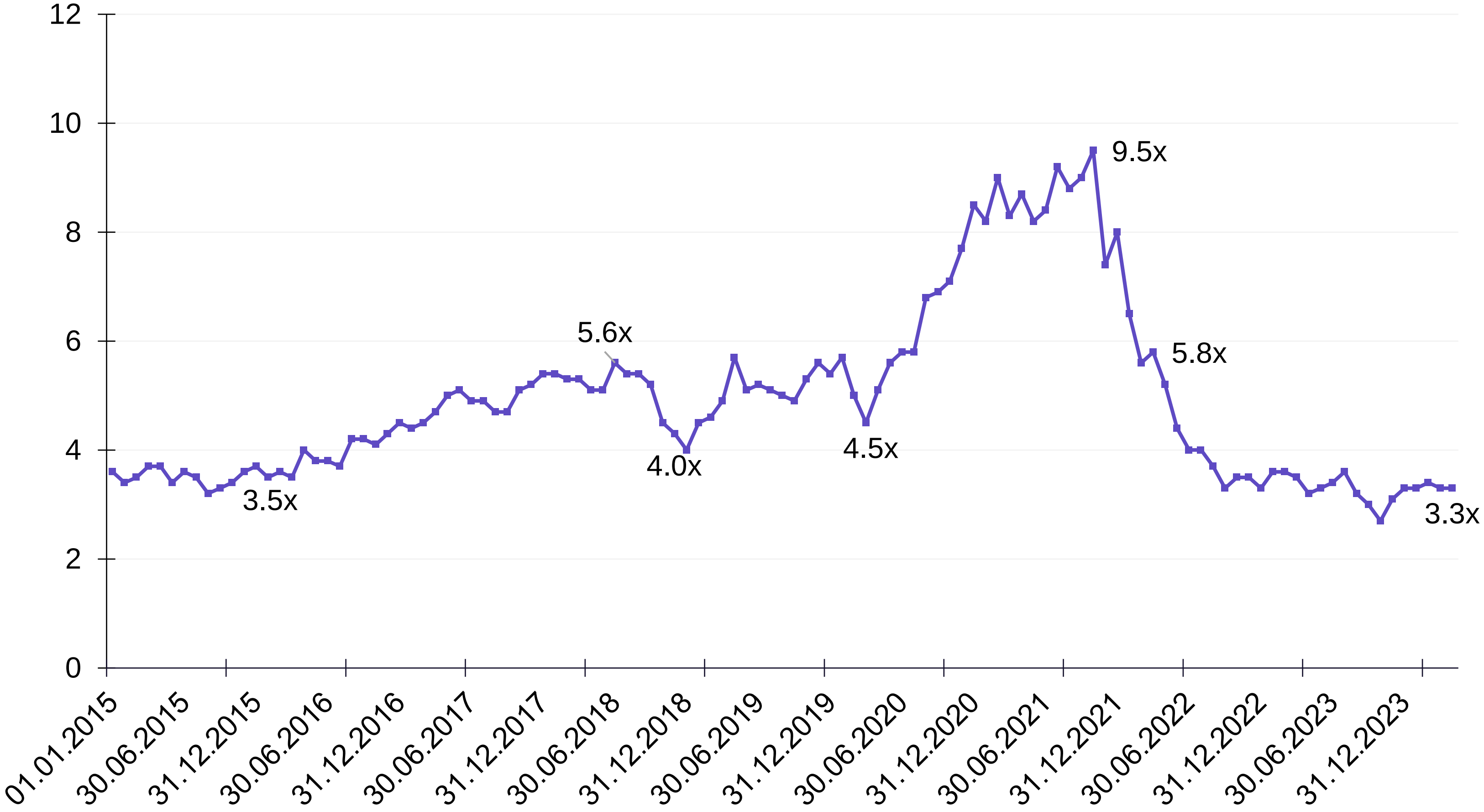
- Nasdaq is regarded as a tech-heavy stock index so the tech giants (AAPL, AMZN, MSFT, NVDA, META, etc) that are constituents of the index significantly influence its performance
- The SaaS companies included in Aventis SaaS index consistently performed better than the NASDAQ composite by a narrow margin
- However, this outperformance almost doubled during the meteoric ‘SaaS bubble’ phase between late 2020 to mid 2021
- Aventis SaaS index was at 651pts in the peak of 2021 while NASDAQ was at 337pts
- The gap has since narrowed down and returned to a normal long-term trend

Source: S&P Capital IQ, Aventis Advisors analysis

EV/Revenue multiple

In the last decade, the average EV/Revenue multiple for SaaS companies in our index was 4.9x

Median EV/Revenue multiple, 2015-2024 (n=201)



Comments

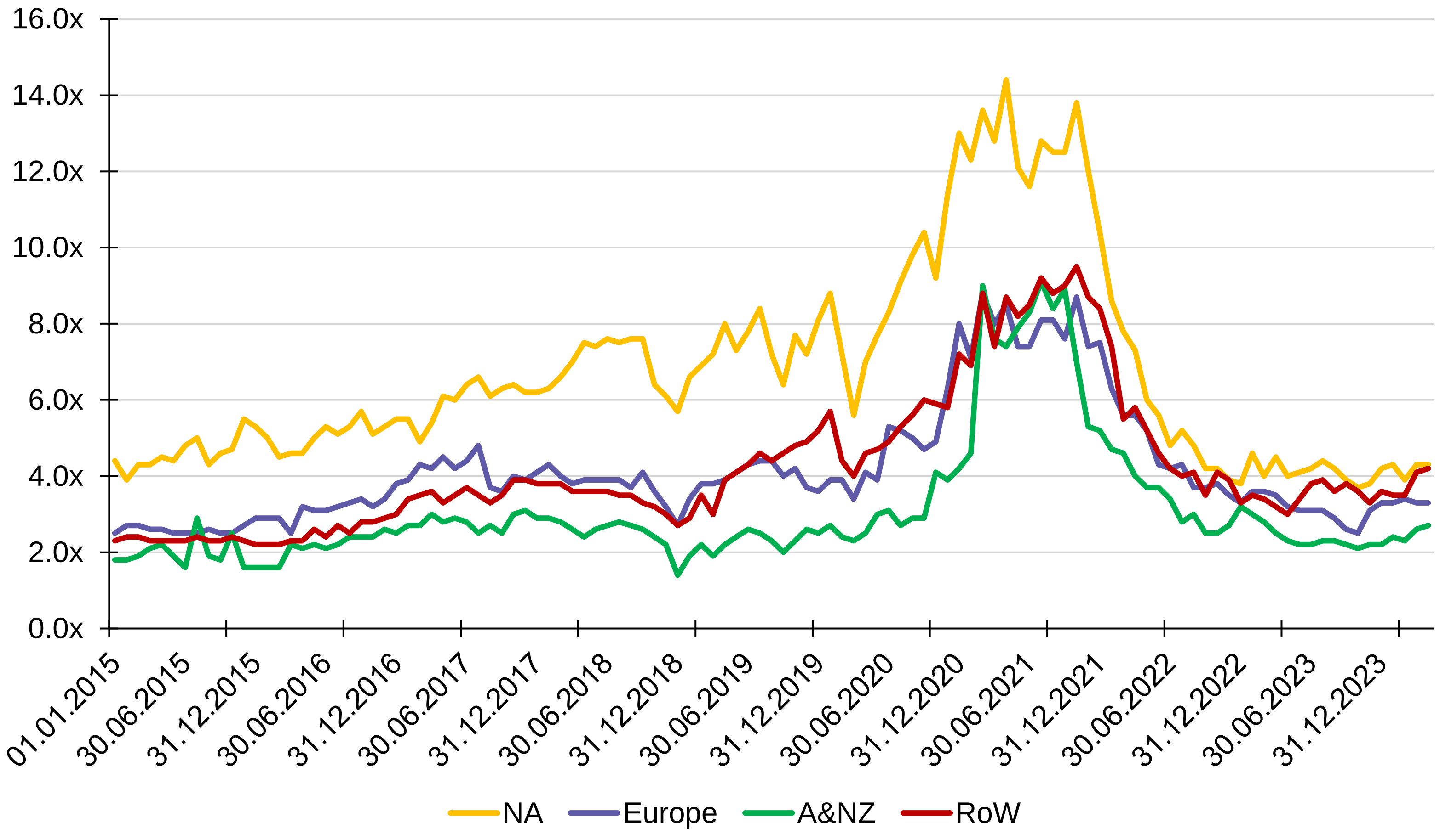
- SaaS revenue multiples peaked in mid 2021 and have been declining ever since
- During the period when the Aventis SaaS index tripled, the median EV/Revenue multiple also doubled
- As of April 2024, the median EV/Revenue multiple for a SaaS business stood at 3.3x
- However, there are exceptional SaaS companies trading at above median revenue multiples.
- For example:
  - Planisware (BATS-CHIXE:PLNWP) trading at 8.3x EV/revenue
  - Cerillion (AIM:CER) trading at 11.2x EV/revenue
  - Descartes (BMV:DSG) trading at 13.6x EV/revenue

Source: S&P Capital IQ, Aventis Advisors analysis

EV/Revenue multiple by geography

North American SaaS companies commanded higher revenue multiples historically, but revenue multiples are fast approaching a convergence

Median EV/Revenue multiple by region, 2015-2024



Comments

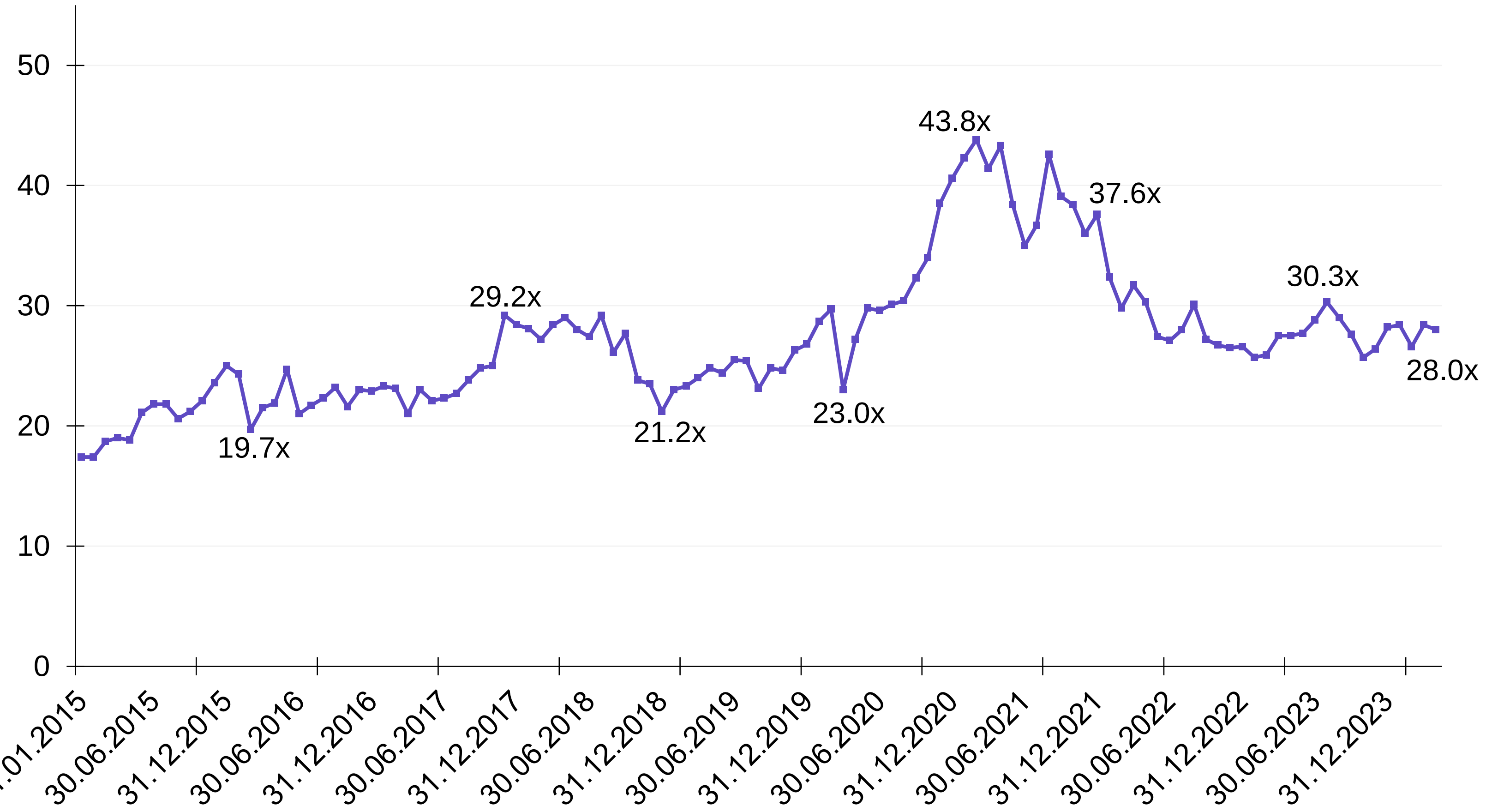
- SaaS companies in North America are valued at higher EV/Revenue multiple relative to their European peers
- During mid-2021 when revenue multiples were at their peak, North American companies were valued at median 14.4x while European companies were trading at 5.2x EV/Revenue
- Post-COVID there is a race to convergence of revenue multiples with North American SaaS companies dropping the most
- As of April 2024, the revenue multiples were:
  - North America - 4.3x
  - Europe - 3.3x
  - Australia & New Zealand - 2.7x
  - Rest of the world - 4.2x

Source: S&P Capital IQ, Aventis Advisors analysis

EV/EBITDA multiple

The median EV/EBITDA for a SaaS business was 28.0x as of May 2024

Median EV/EBITDA multiple, 2015-2024



Comments

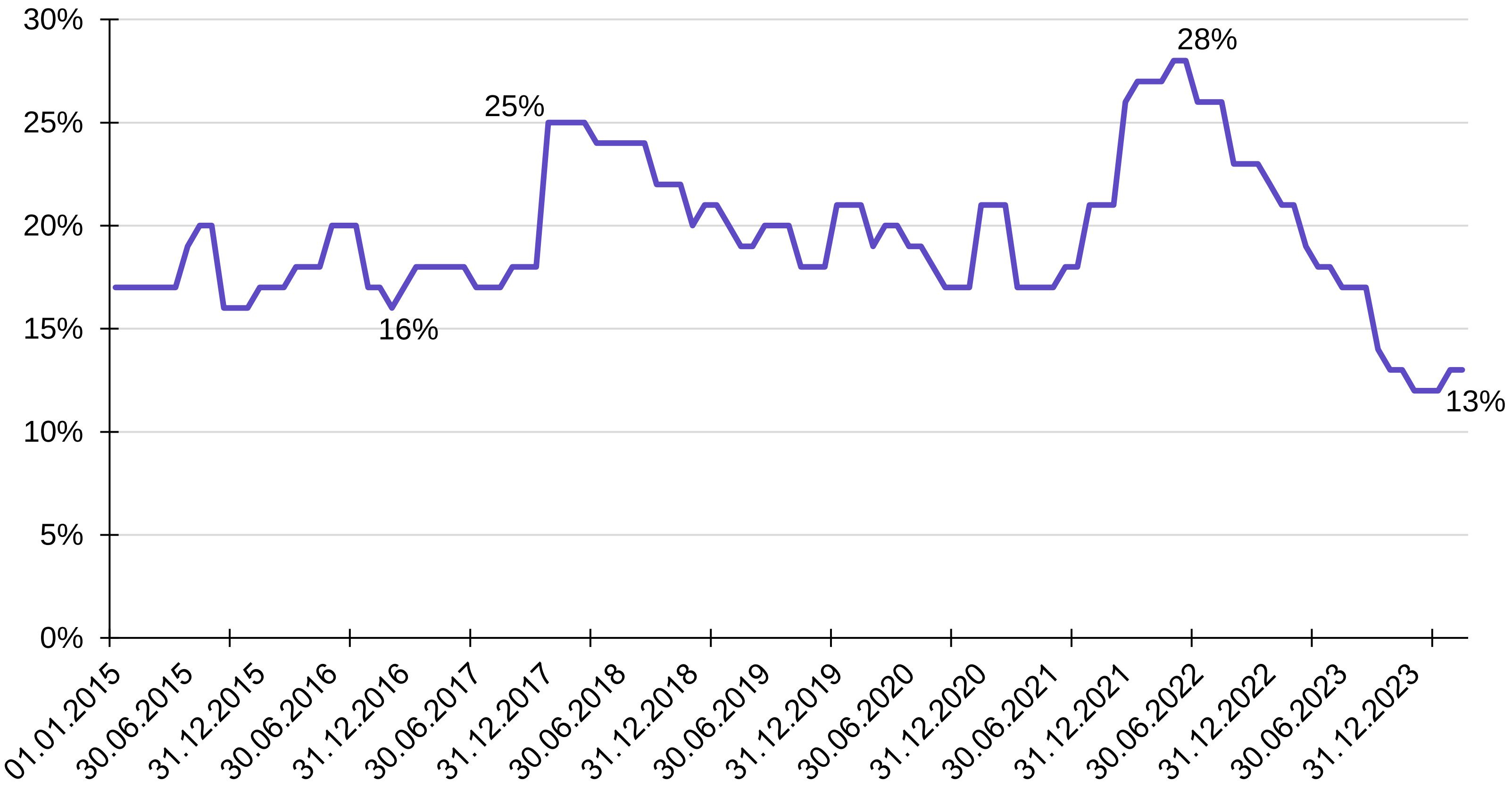
- The EV/EBITDA multiple is surprisingly not the go-to valuation multiple SaaS companies due to a major portion of emerging SaaS firms being unprofitable that render this multiple obsolete
- However, for SaaS companies that turn a profit, the EV/EBITDA multiple is a useful valuation methodology
- The EV/EBITDA multiple rose dramatically during the SaaS bubble phase between 2020-2021; at its peak the median EV/EBITDA multiple was 43.8x
- The long-term average EV/EBITDA multiple for SaaS companies is 27.0x
- As of May 2024, the median EV/EBITDA multiple for a SaaS company is 28.0x

Source: S&P Capital IQ, Aventis Advisors analysis

Revenue growth

SaaS companies' revenue growth accelerated from early 2021-2022 but they have recorded a decline in revenue growth over the past 18 months

Median revenue growth, 2015-2024



Comments

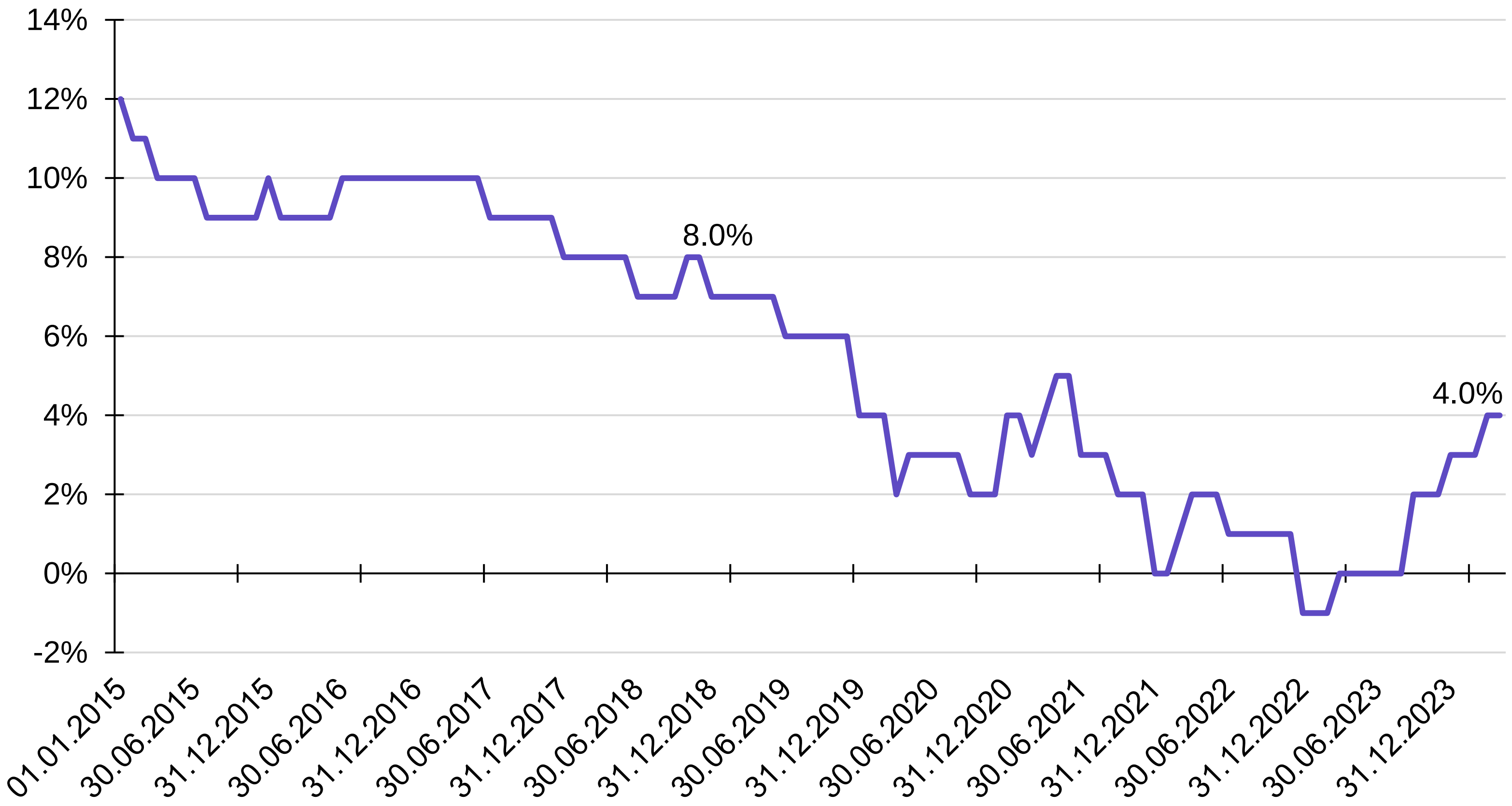
- The long-term average revenue growth for SaaS companies is 20%
- As of May 2024, the median SaaS revenue growth was 13%, much below the long-term average
- The increase in revenue growth during 2021 to early 2022 could be attributed to pandemic-driven demand surge for SaaS solutions for remote-working and collaboration, time-tracking, project management, health and wellness, and more
- This was followed by a decline due to back to normalcy trend as well as market saturation coupled with macroeconomic conditions that proved to be difficult for SaaS businesses

Source: S&P Capital IQ, Aventis Advisors analysis

EBITDA margin

The median EBITDA margin for SaaS companies has shown a noticeable decline from 2015 to 2024, led by higher R&D and S&M costs

Median EBITDA margin, 2015-2024



Comments

- In early 2015, the margin was around 12%, but by late 2023, it had dropped to approximately 5%
- Due to increasing competition in the SaaS space, leading to price wars and higher customer acquisition costs, EBITDA margins have eroded.
- Additionally, significant investments in R&D and expansion might have impacted margins
- From mid-2015 to late 2017, the EBITDA margin remained relatively stable, but fell into negative territory by 2022
- The chart indicates a slightly positive trend moving into 2024, suggesting a potential stabilization or slight improvement in margins.

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By Revenue size and Market Capitalization

Our index is a relevant benchmark for different sizes of SaaS companies as it constitutes small, medium, and large listed companies

Index composition by revenue size, $M

Rev. group	No. of constituents
$1B+	21
$500M-1B	30
$200-500M	37
$100-200M	30
$50-100M	24
$20-50M	38
$10-20M	21
Total	**201**

Index composition by market capitalization, $M

Market cap group	No. of constituents
$1B+	76
$500M-1B	26
$200-500M	26
$100-200M	19
$50-100M	15
$20-50M	17
$10-20M	22
Total	**201**

By Country and Year founded

Our index includes the highest number of companies from USA with most companies, quite obviously, founded after the year 2000s

Index composition by geography

Country	No. of constituents
USA	81
Australia	20
Canada	15
UK	14
Sweden	12
Israel	10
Others	49
Total	**201**

Index composition by year founded

Year founded	No. of constituents
Pre-1930s	1
Between 1930 to 1960s	1
Between 1960 to 1990s	38
Between 1990 to 2000s	43
Between 2000 to 2010	73
Between 2010 to 2020	41
Post-2020	5
Total	**201**

By Revenue growth and EBITDA margin

It can be clearly inferred that a big portion of SaaS companies in our index are not profitable but growing revenues by 10 to 30%

Index composition by revenue growth

Rev. growth group	No. of constituents
Negative	27
0-5%	24
5-10%	29
10-20%	62
20-30%	32
30-40%	15
>40%	12
Total	**201**

Index composition by EBITDA margin

EBITDA margin group	No. of constituents
Negative	79
0-5%	25
5-10%	22
10-20%	34
20-30%	24
30-40%	10
>40%	7
Total	**201**

Note: Growth and margins considered as of May 2024

Contact us

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