Aventis *Advisors*

SaaS Valuation Multiples: 2015-2025

Q4 2024 update and 2025 outlook

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Listed SaaS companies: Scorecard

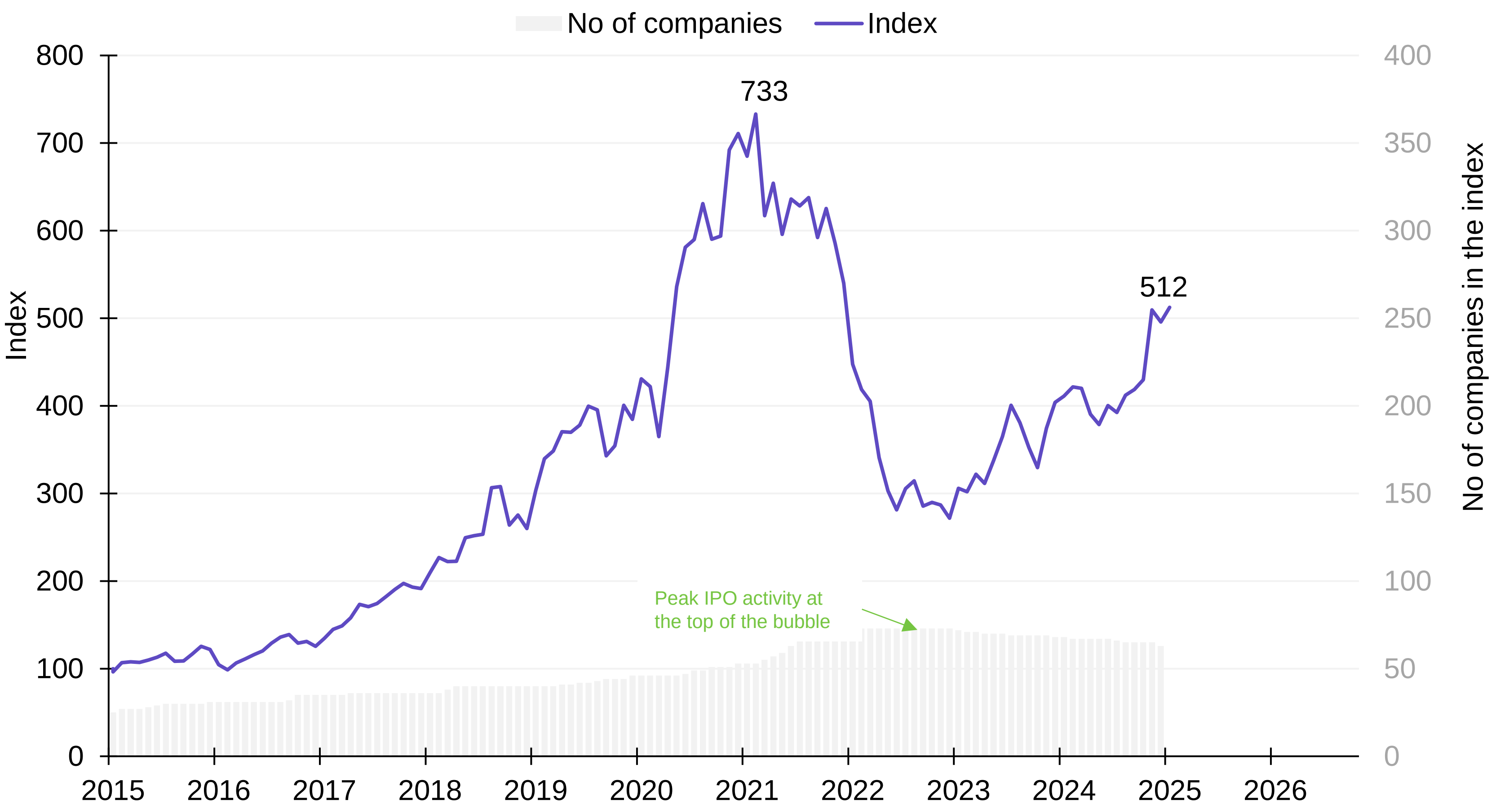
Median metrics		Listed SaaS companies: Q4 2024	vs. Q3 2024
EV/Revenue	*x*	7.4x	+1.5x
Revenue growth *Forecast*	%	14%	-1pp
EBITDA margin *4-quarter rolling average*	%	6%	+2pp
Net profit margin *4-quarter rolling average*	%	2%	+2pp

Source: S&P Capital IQ, Aventis Advisors analysis

SaaS Valuations: Aventis SaaS Index

SaaS index rebounded in 2024, but is still very far from its peak in 2021

SaaS Index, 01.01.2015=100



Note: equal-weight index; 01.01.2015=100; IPO date=100 for companies that went public after 01.01.2015

Comment

- Index of SaaS companies has been slowly growing in the 2015-2020 period driven by the expanding valuation multiples, as well as by rapid growth of the companies.
- After the unprecedented monetary and fiscal stimulus and COVID digitalization tailwinds, the index jumped in 2020 to over 600 points by early 2021.
- After the investor sentiment changed, interest rates grew and profitability came back to focus, investors rushed to sell SaaS companies, especially the ones with no profits.

Q4 2024 update

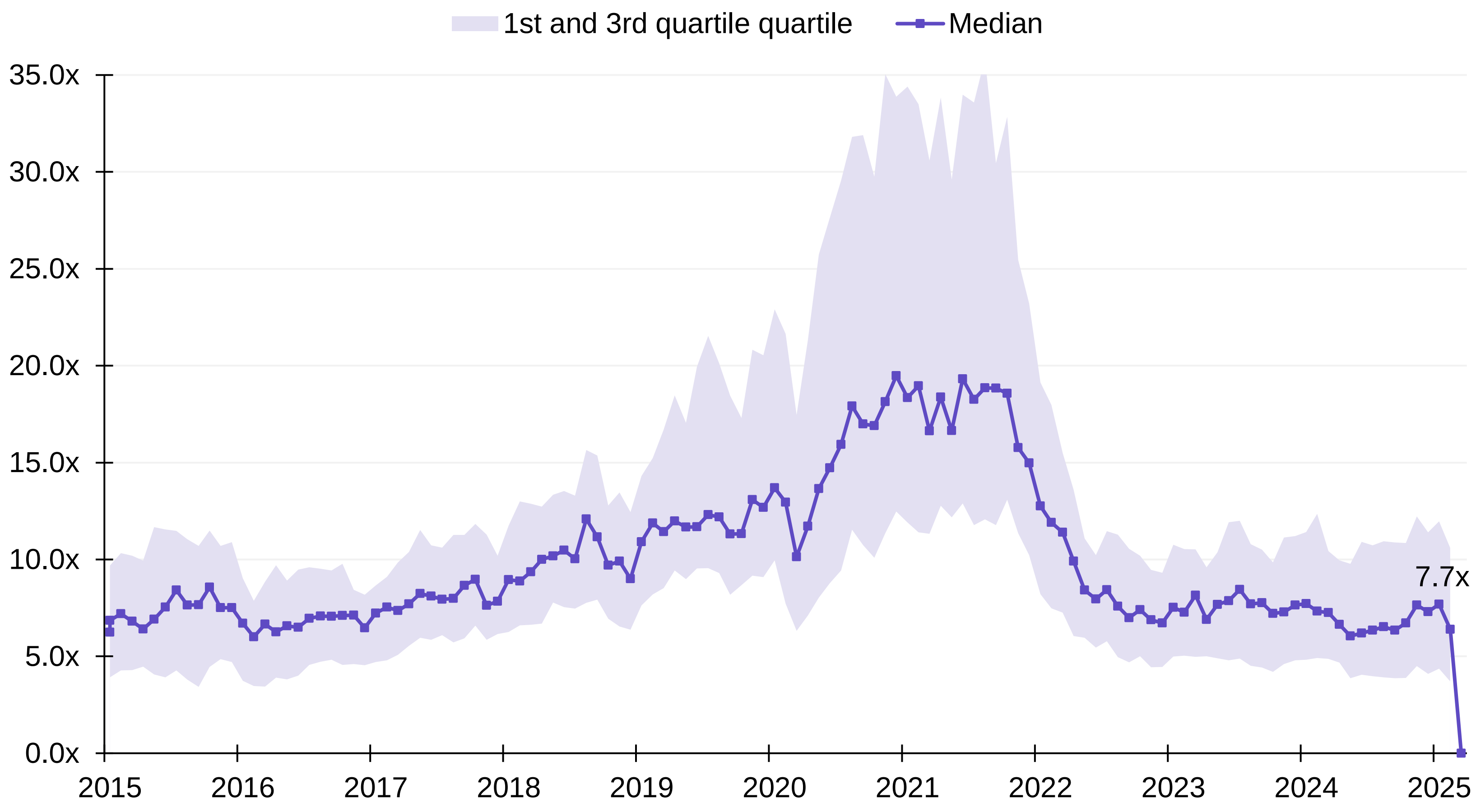
- In 2024, the Aventis SaaS Index rose by 21%
- The index value was 492pts in December 2024 and the index rose 3% to 512pts in the first month of 2025.

Source: S&P Capital IQ, as of 27th January 2024

SaaS Valuations: EV/Revenue multiple

EV/Revenue valuation multiples for listed SaaS businesses have started recovering after being stagnant at ~6.0x in the past few months

Median EV/Revenue multiple, 2015-2024



Comment

- Revenue multiples have been growing slowly between 2015-2019, reaching a median of 13.6x before the COVID drop.
- Market drop in March 2020 was short lived, with the multiples quickly recovering.
- Many SaaS companies went public during the peak of the valuations, with the 25% highest valued companies trading at above 30x Revenue.
- The highest multiple recorded in our sample was Asana, closing at 89.0x LTM Revenue in November 2021.

Q4 2024 update

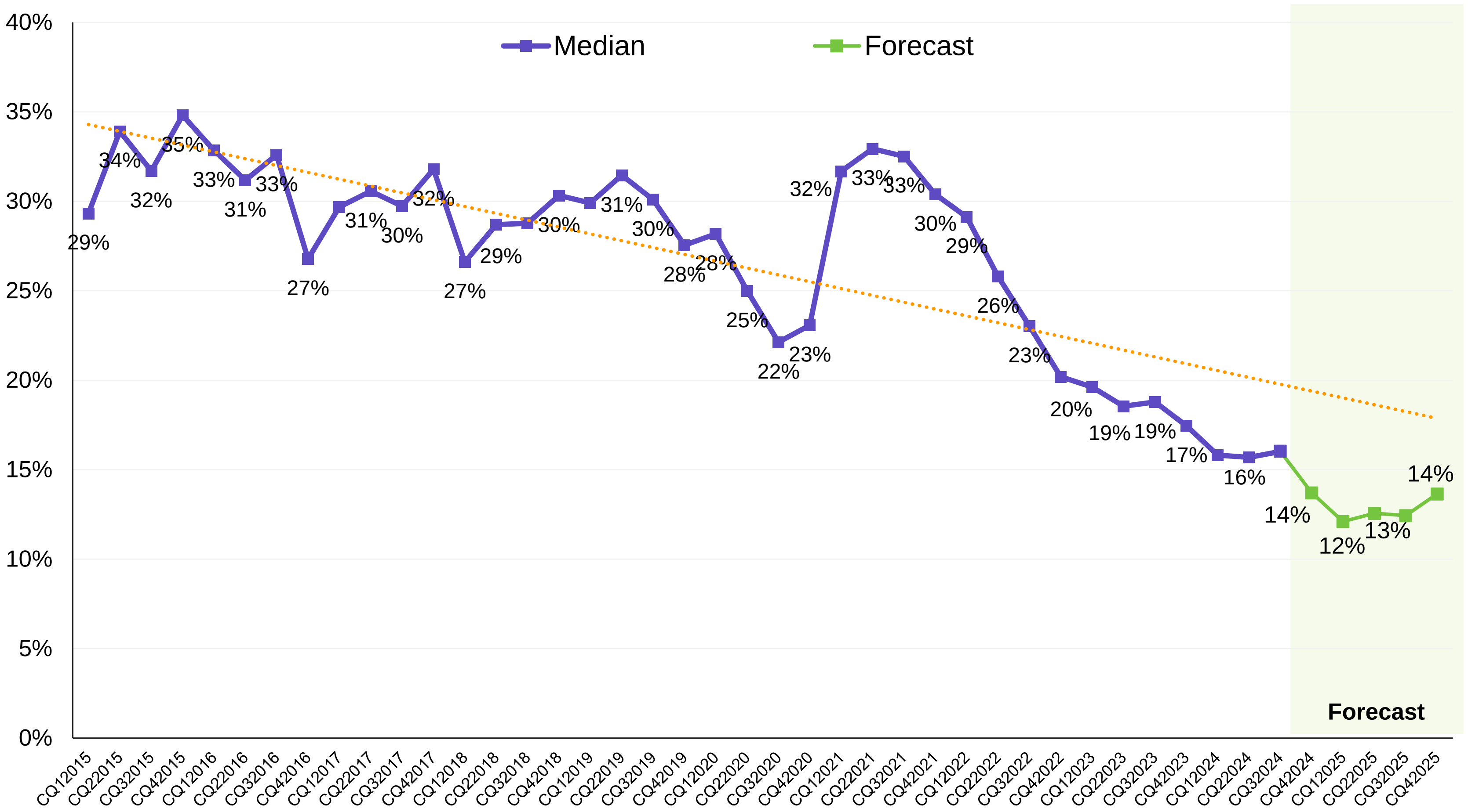
- In December 2024, the median revenue multiple was 7.2x
- The median EV/Revenue multiple recorded an uptick to 7.4x as of January 2025

Source: S&P Capital IQ as of 21st Jan 2025

Deep-dive: SaaS growth rates

SaaS revenue growth rates continued to deteriorate reaching a median of 16% in the past two quarters

Median YoY quarterly revenue growth, %



Comment

- SaaS growth rates have been slowly decelerating over the past nine years, as many companies reached scale.
- By Q2 2020, the median growth rate of SaaS business declined to 23% YoY.
- Pandemic provided a temporarily relief, pulling forward the demand for software and accelerating the growth by 11pp.
- After peaking in Q2 2021, the growth rates are slowly returning to the long-term trendline and may even overshoot to the downside in case of a major recession.

Q4 2024 update

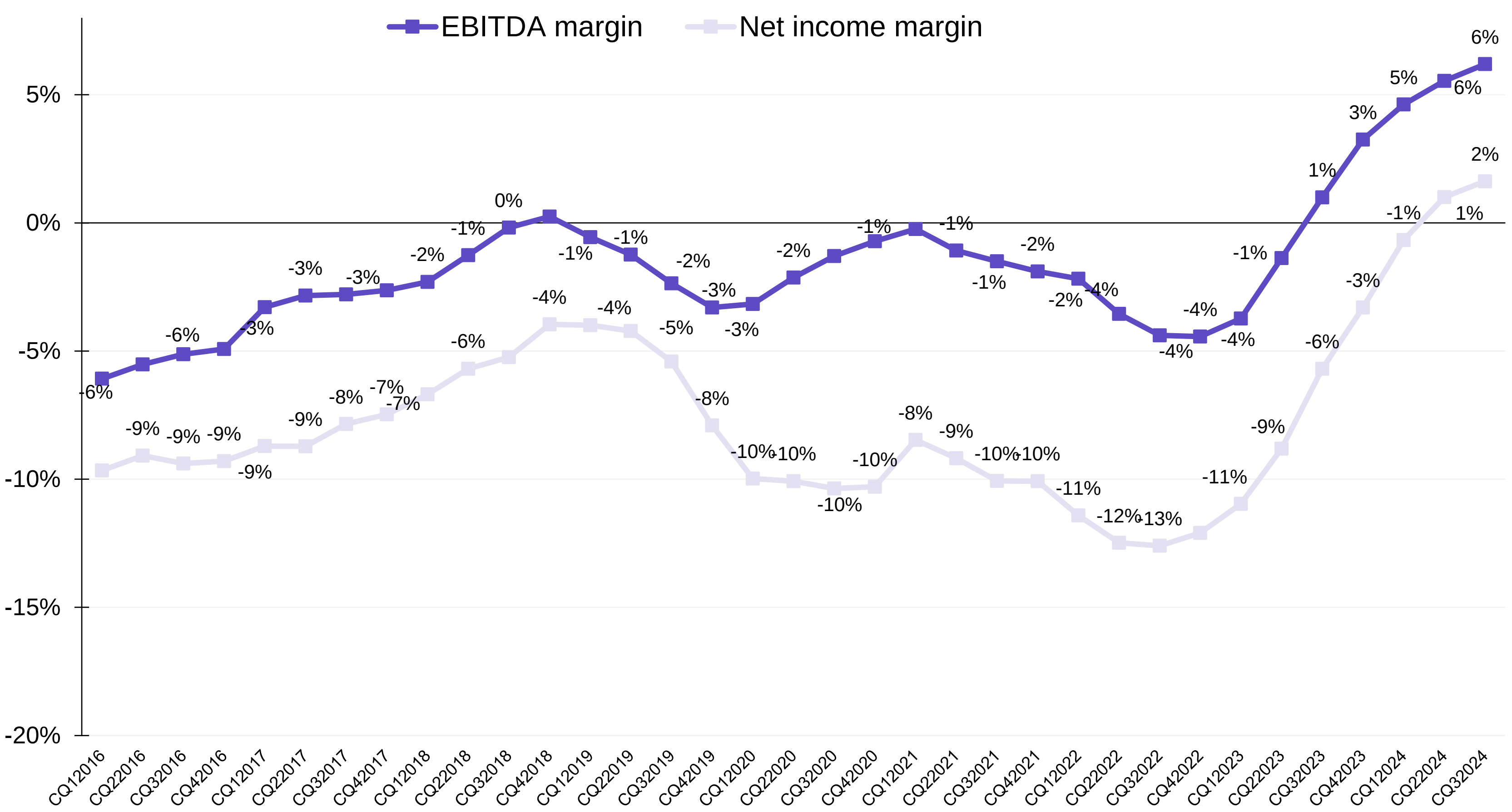
- While consensus estimates point to slower growth in Q4 2024 as well as early 2025, we see a promising acceleration in the second half of 2025, likely driven by lower interest rates, emerging SaaS verticals, and AI complementing SaaS offerings.

Source: S&P Capital IQ

Deep-dive: SaaS profitability

After large layoffs signaling cost control and focus on efficiency, profitability margins of SaaS companies have moved towards positive territory

4 quarters rolling average margin, %



Comment

- Over the 2015-2022 period, a median SaaS company lost money on both Net Income and EBITDA margin basis.
- Following the margin increase in 2016-2019, SaaS margins deteriorated again as the companies invested in growth aggressively.
- While many companies report positive FCF margins, it commonly includes the add-back of stock-based compensation.
- Focusing on efficiency in 2022-2023 has brought some improvement in margins, yet the median margins are still below zero as of Q1 2023

Q4 2024 update

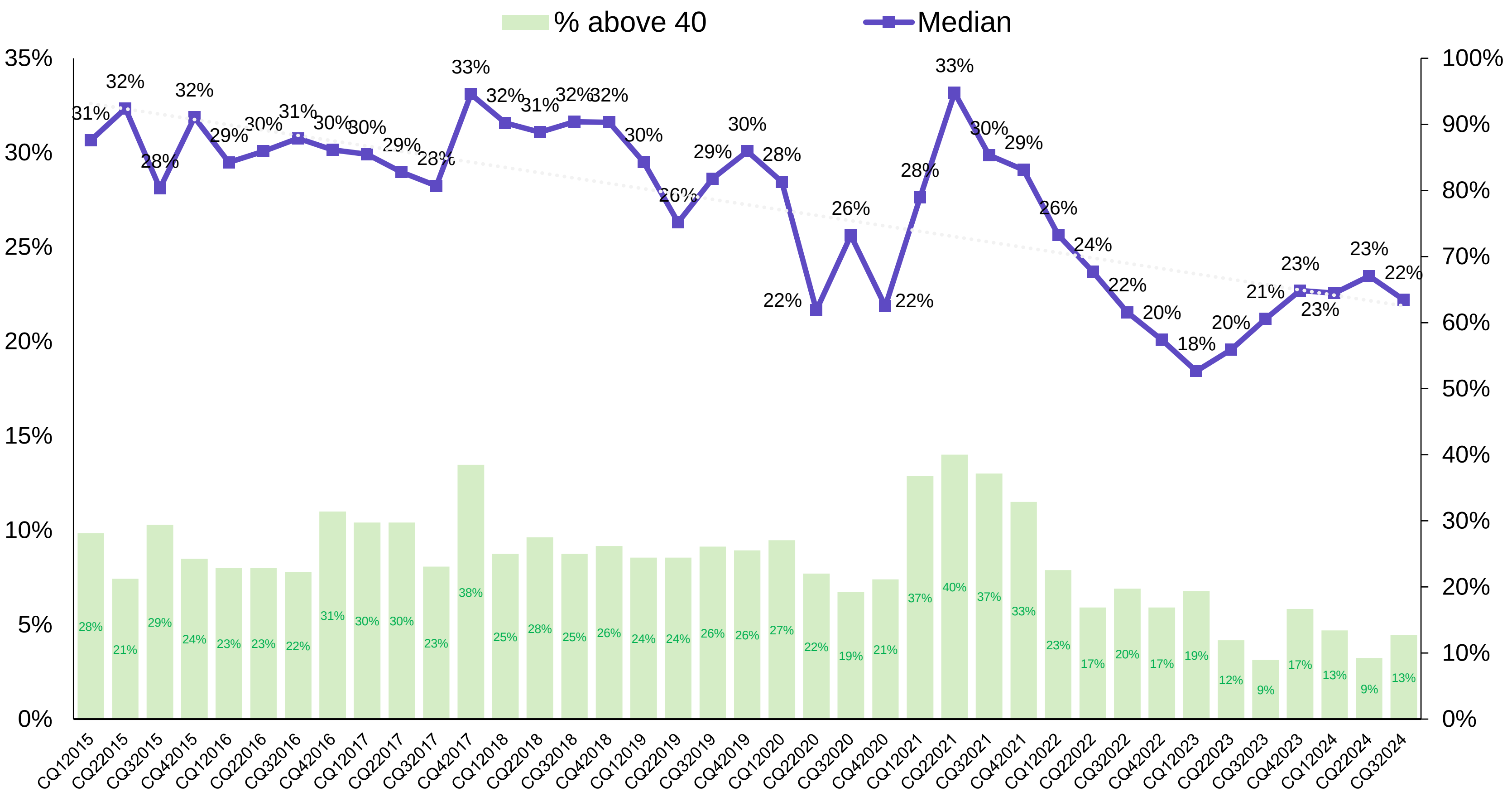
- SaaS median EBITDA margins have advanced towards positive territory and reached 6% on a 4Q rolling average basis in Q3 2024. Net margins are also in the positive on a rolling average basis. We expect this to continue in Q4 2024.

Source: S&P Capital IQ

Deep-dive: SaaS Rule of 40

Rule of 40 metric for SaaS companies have been slowly declining over the past nine years

Rule of 40, %



Comment

- Rule of 40 for a median SaaS company, calculated as sum of revenue growth and EBITDA margin, has been slowly declining since 2015.
- The median Rule of 40 metric declined from around 30% in 2015 to around 20% in 2024.

Q4 2024 update

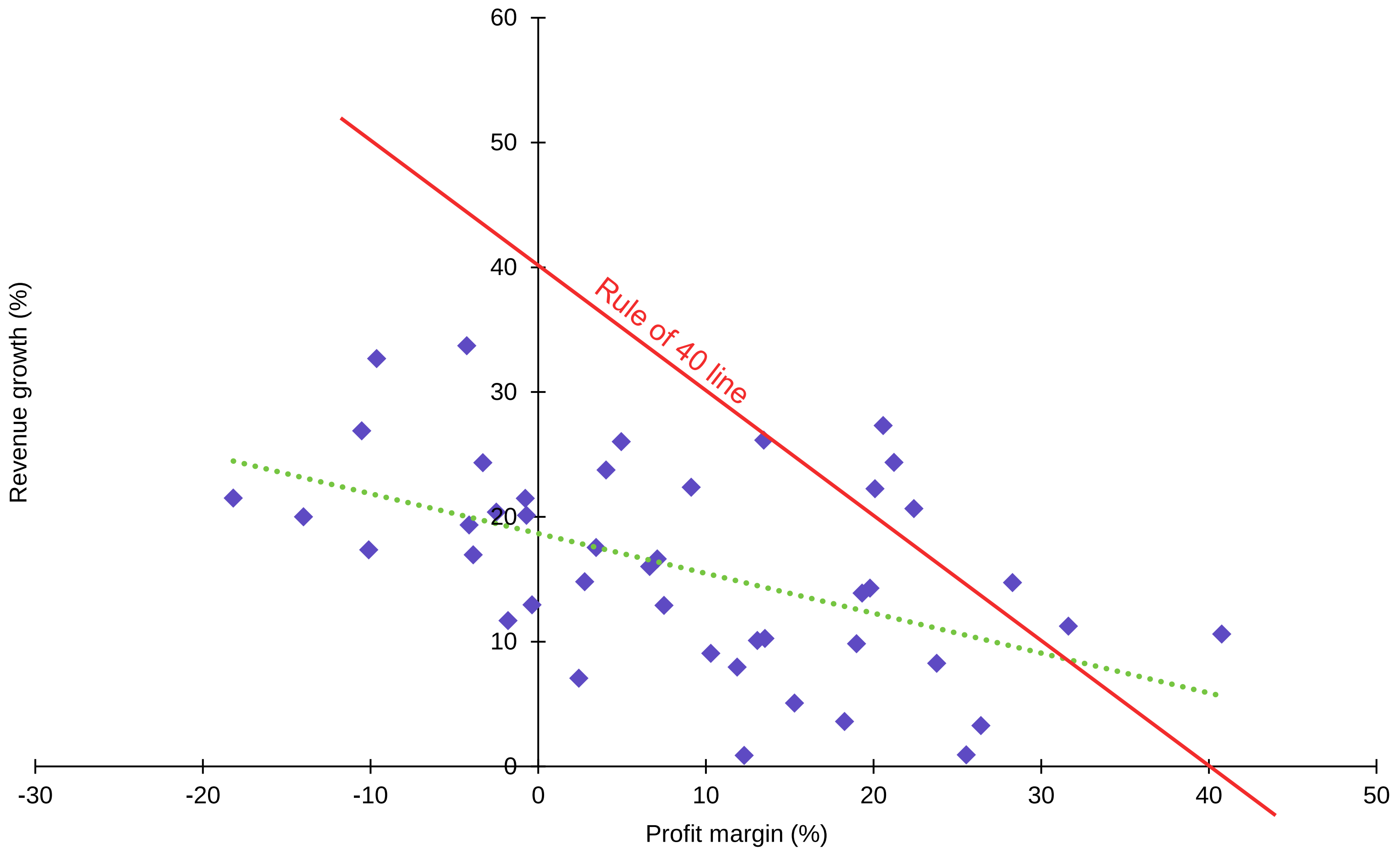
- The number of companies in the index that surpassed Rule of 40 score increased from 10% to 16% QoQ while the median Rule of 40 score was 23%

Source: S&P Capital IQ

Deep-dive: Rule of 40

Very few companies are satisfying Rule of 40 in our analysis from 2015-2024

Profit margin vs. Revenue growth, % As of Q4 2024



Comments

- Among 73 companies in our sample, only a couple stayed above Rule of 40 as of Q4 2023.
- As of Q4 2023, the companies comfortably above Rule of 40 included Adobe, Paycom, and Descartes Systems.
- Rule of 40 implies a one-to-one tradeoff between a percentage point of revenue growth and margin.

Q4 2024 update

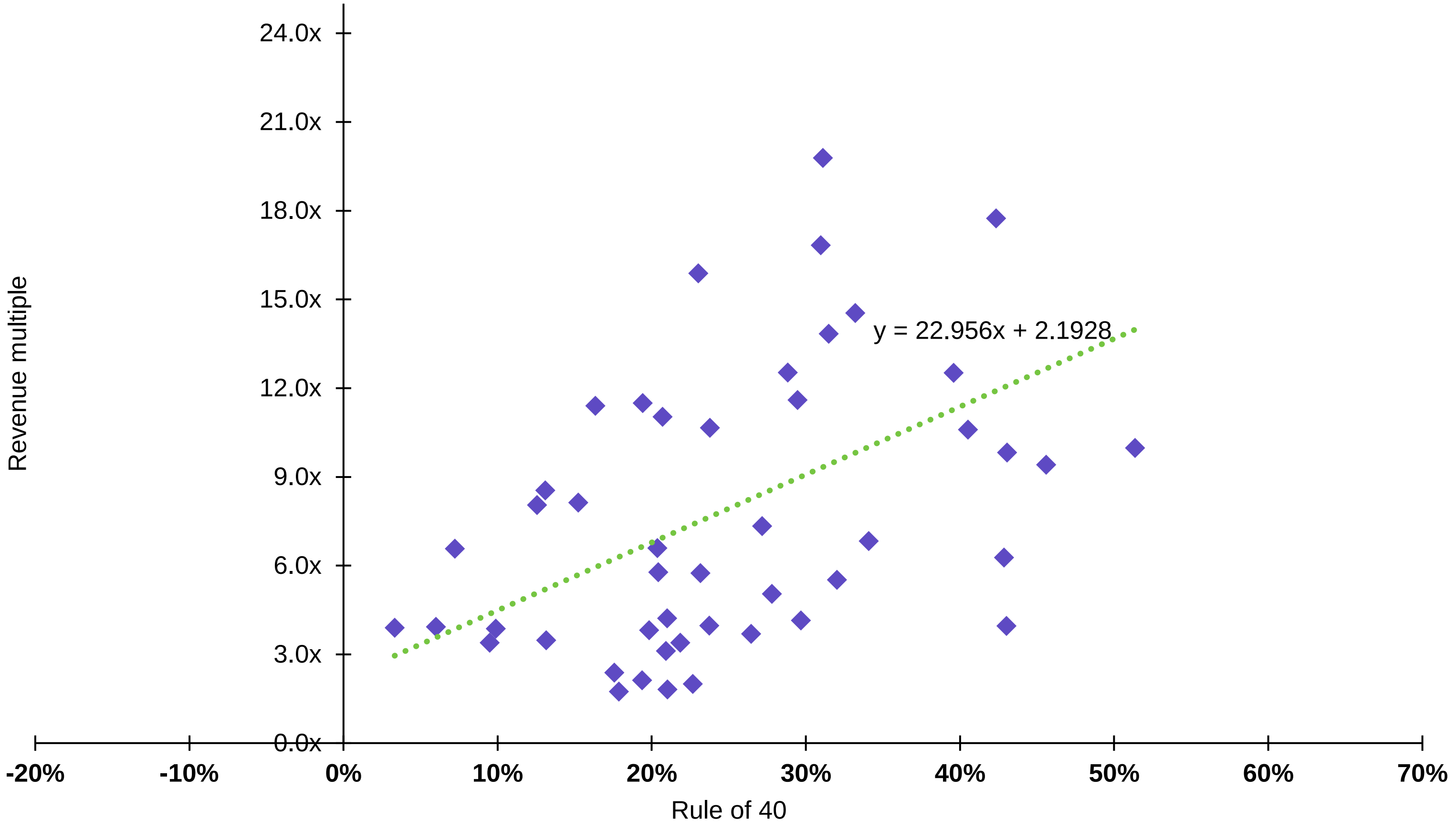
- Most companies still fail to meet the Rule of 40 score. Out of 75 SaaS companies in our index, 63 companies had a Rule of 40 score below 40.

Source: S&P Capital IQ

Deep-dive: Rule of 40

A 10-point improvement in Rule of 40 metric is generally corresponding to a 2.2x revenue multiple growth

Revenue multiple vs Rule of 40



Comments

- Rule of 40 remains a good predictor of a company's valuation multiples.
- Using the latest available data from 18 March 2024, a 10% increase in Rule of 40 metric added 1.4x to the Revenue multiple.
- A company with a zero Rule of 40 metric is expected to trade at around 3.0x Revenue.
- It is true that a higher Rule of 40 score generally corresponds to a higher valuation multiple, but this can be influenced by company specific factors that also need to be considered.

Q4 2024 update

- A 10% increase in Rule of 40 score adds 2.2x to the Revenue multiple as of Q4 2024.

Source: S&P Capital IQ

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SaaS Multiples

Since 2015, SaaS companies have had median EV/Revenue of 4.7x and EV/EBITDA of 22.1x

Multiple (2015-2024)	Sample (n)	Median deal size	1st quartile	Median	3rd quartile
EV/Revenue	460	**$58M**	**2.5x**	**4.7x**	**8.3x**
EV/EBITDA	186	**$101M**	**12.7x**	**22.1x**	**43.1x**

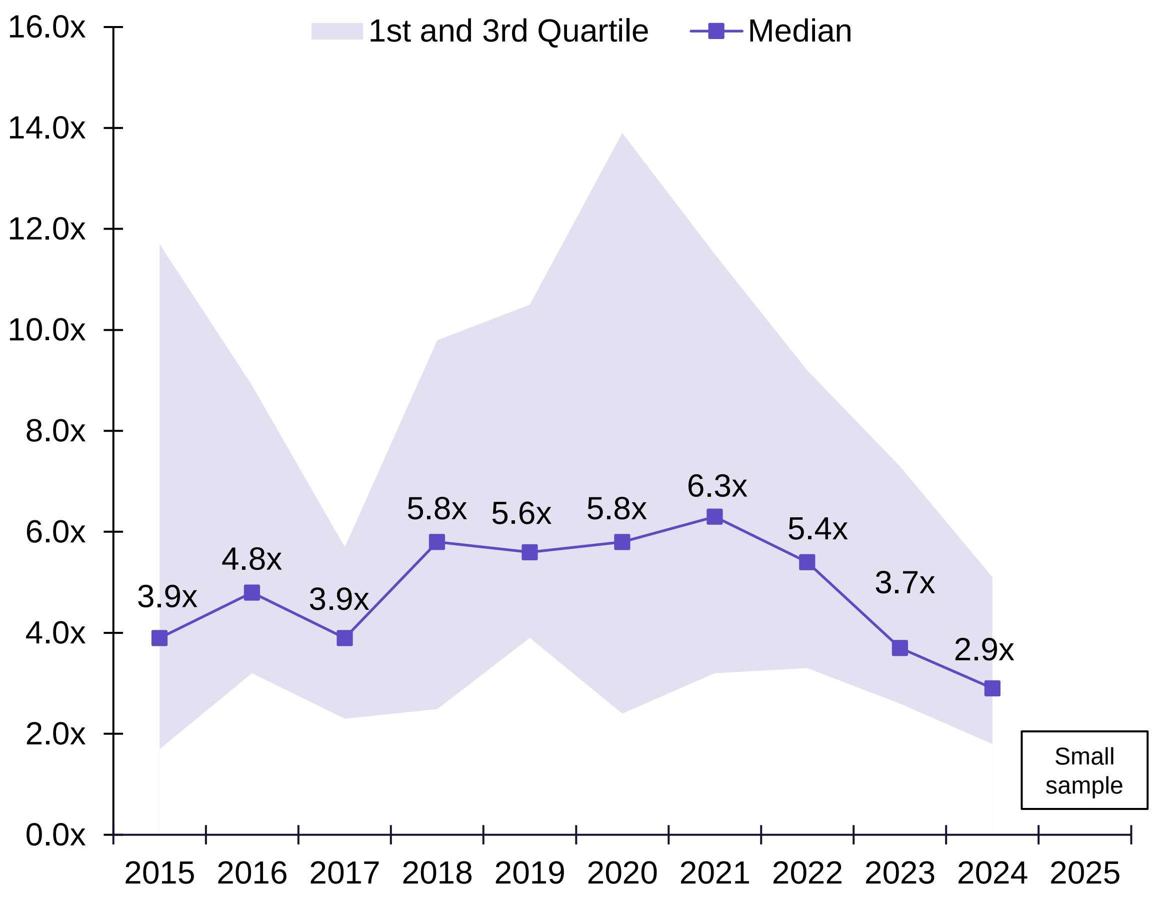
Search criteria:
Industry is Computer Software; Software as a Service (SaaS) targets selected
Deal value and multiples are disclosed
Period: 01.01.2015 – 08.01.2025
N=459 transactions

Source: Mergermarket

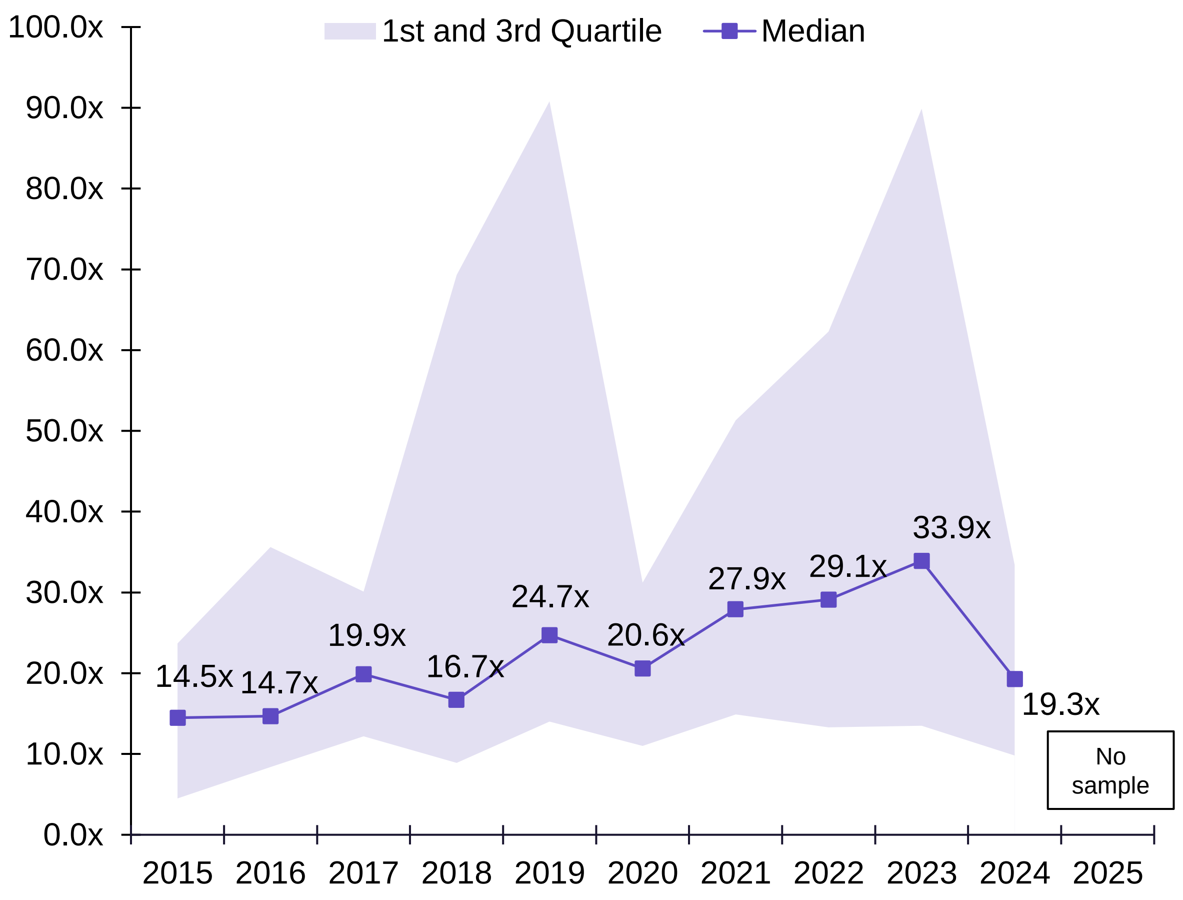
SaaS valuation multiples in M&A transactions

The EV/Revenue multiple for SaaS companies in the sample fluctuated within a range of 2.x to 6.4x over the past 10 years

Median EV/Revenue multiple, 2015-2025 (n=459)



Median EV/EBITDA multiple, 2015-2025 (n=184)

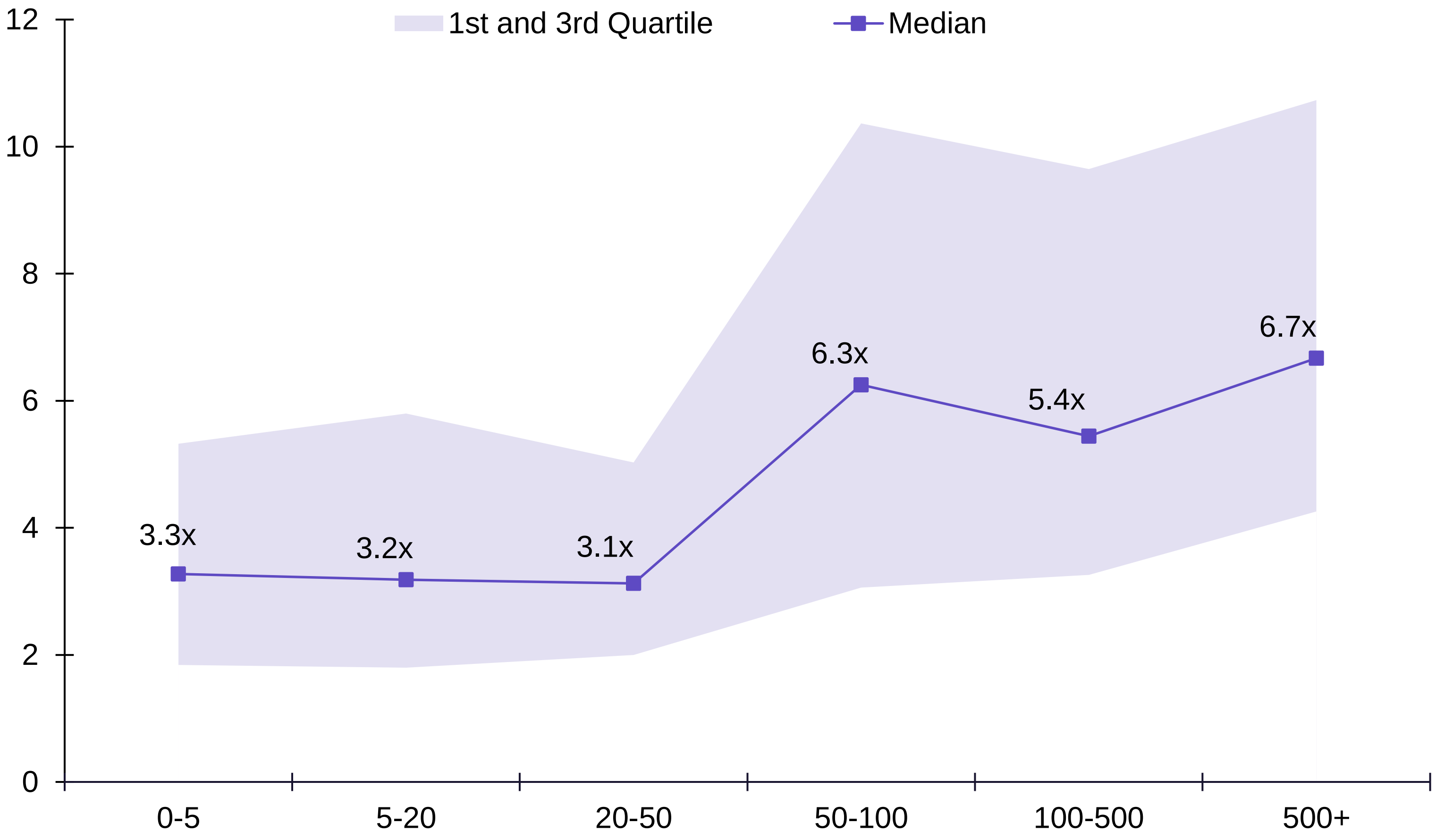


Source: Mergermarket (as of Jan 2025)

Valuation drivers: Deal size

Deals above $50M have significantly higher valuations than smaller deals

Median EV/Revenue multiple by deal size, 2015-2024



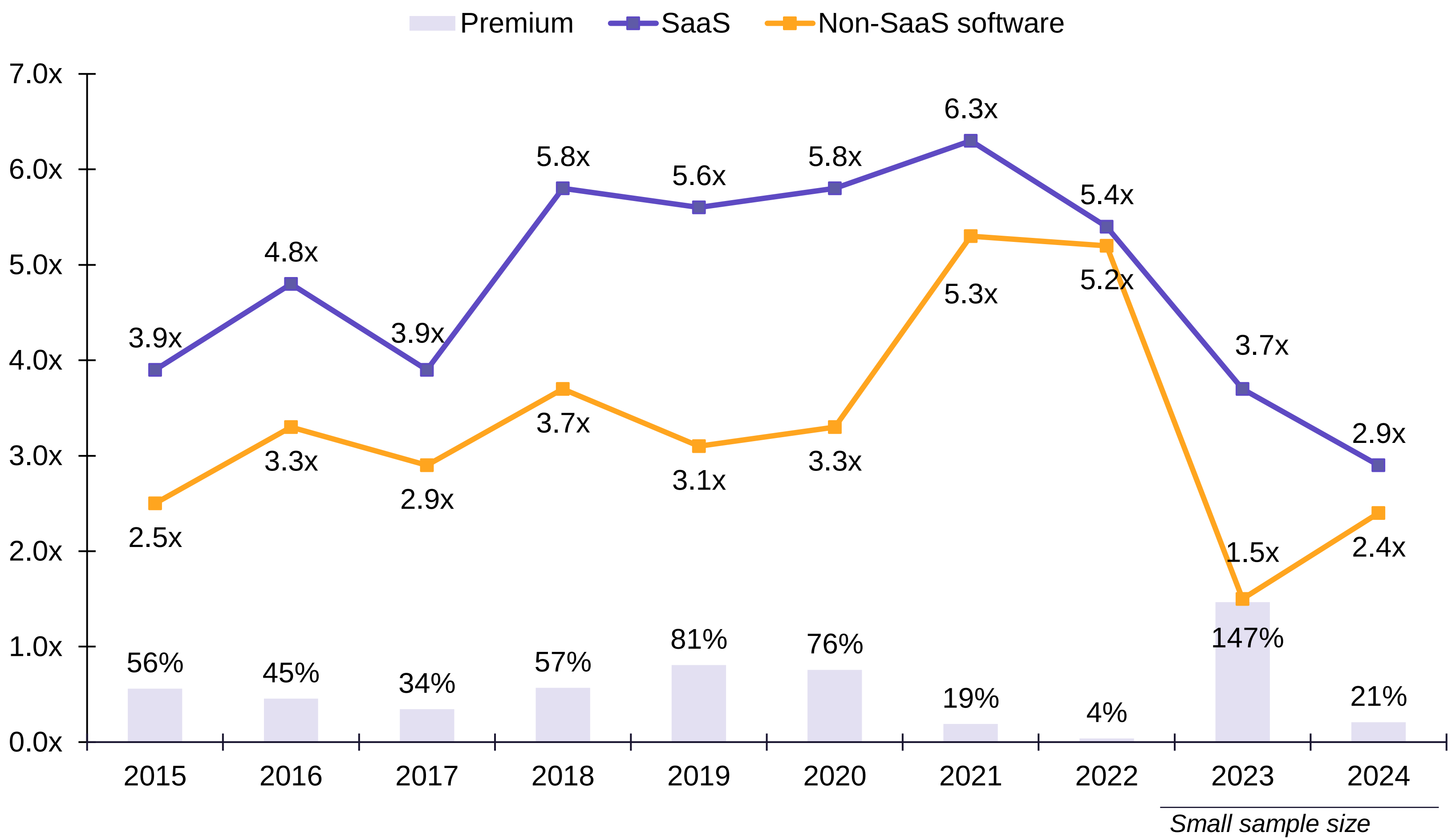
Key findings

- The EV/Revenue multiple for acquired SaaS companies tends to increase with the size of the company.
- The gap between the 1st and 3rd quartile of the EV/Revenue multiple widens as the size of the company increases.
- Larger deals include strategic acquirers, take-private transactions, yet the elevated competition for such deals is also a major factor.
- The sample size for the “$0-5M" size category is smaller and the companies in this group may have elevated multiples due to lower absolute revenue size.

Valuation drivers: SaaS vs Non-SaaS business model

The EV/Revenue multiple for SaaS companies is generally higher than for Non-SaaS, but the premium has decreased in the recent years

SaaS vs Non-SaaS software, EV/Revenue multiple



Key findings

- In the sample analyzed, SaaS companies had consistently higher EV/Revenue ratios than other types of software companies.
- The “SaaS premium” stayed elevated in the 2015-2020 period but has since declined.
- We believe the increased competitiveness of investors for any software deals, as well as ongoing transition to the cloud contributed to its decline.

Valuation drivers: Target location

US SaaS companies made up most acquisitions in the sample and had the highest valuations and deal sizes

Country of Target Company	Number of deals	Median size, m USD	Median EV/Revenue	Median EV/EBITDA
USA	185	300	5.5x	32.1x
United Kingdom	59	23	4.2x	18.0x
Norway	25	27	5.2x	22.7x
Australia	26	58	3.2x	16.8x
Canada	15	63	4.8x	32.8x
France	18	45	2.7x	10.8x
Other	131	17	3.1x	16.1x
Total	**459**	**41**	**4.8x**	**22.4x**

Source: Mergermarket

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 the best valuation.

Technology M&A focus

Cross-border expertise

Thought leadership

Aventis *Advisors* Exclusive Webinar

SaaS Valuations in 2025: Where are we headed?

SaaS valuations are on the move – DON'T miss the train! Register for our special webinar where we'll discuss the SaaS public and private market outlook

Marcin Majewski
Managing Director

Filip Drazdou
Associate

15th April 2025, Tuesday

11:00 AM ET | 5:00 PM CET

Online

Click here & Register now!

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Contact us

Get in touch with our advisors to discuss how much your business could be worth and how the M&A process looks.

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