

Aventis Advisors

SaaS Valuation Multiples: 2015-2025

Q4 2024 update and 2025 outlook

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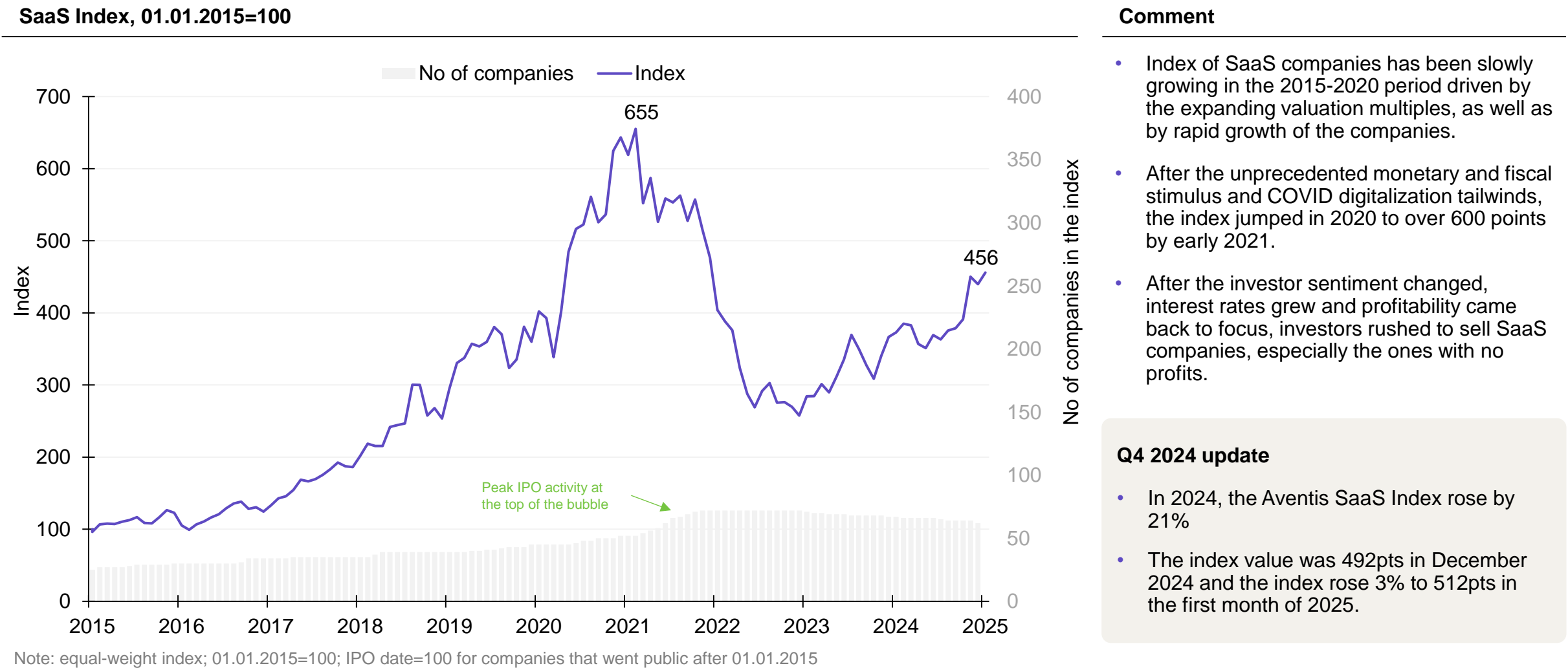


Listed SaaS companies: Scorecard

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

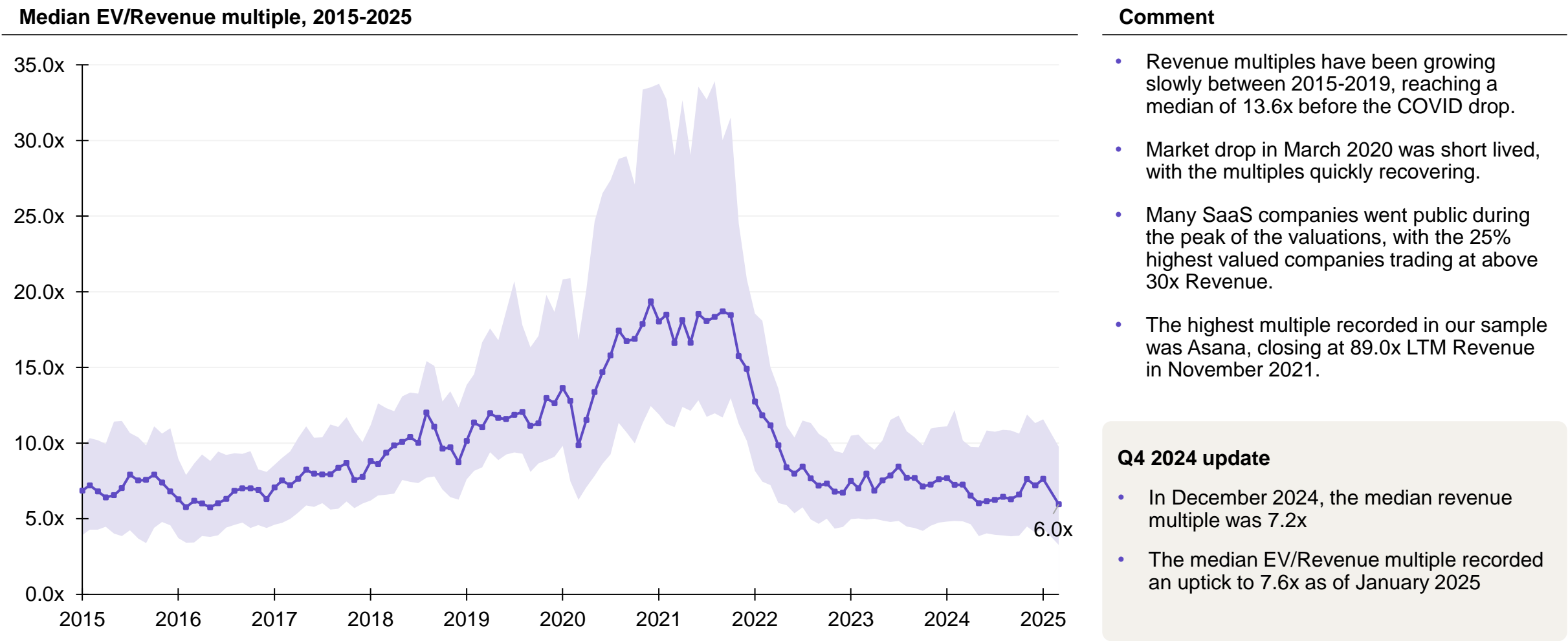
SaaS Valuations: Aventis SaaS Index

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



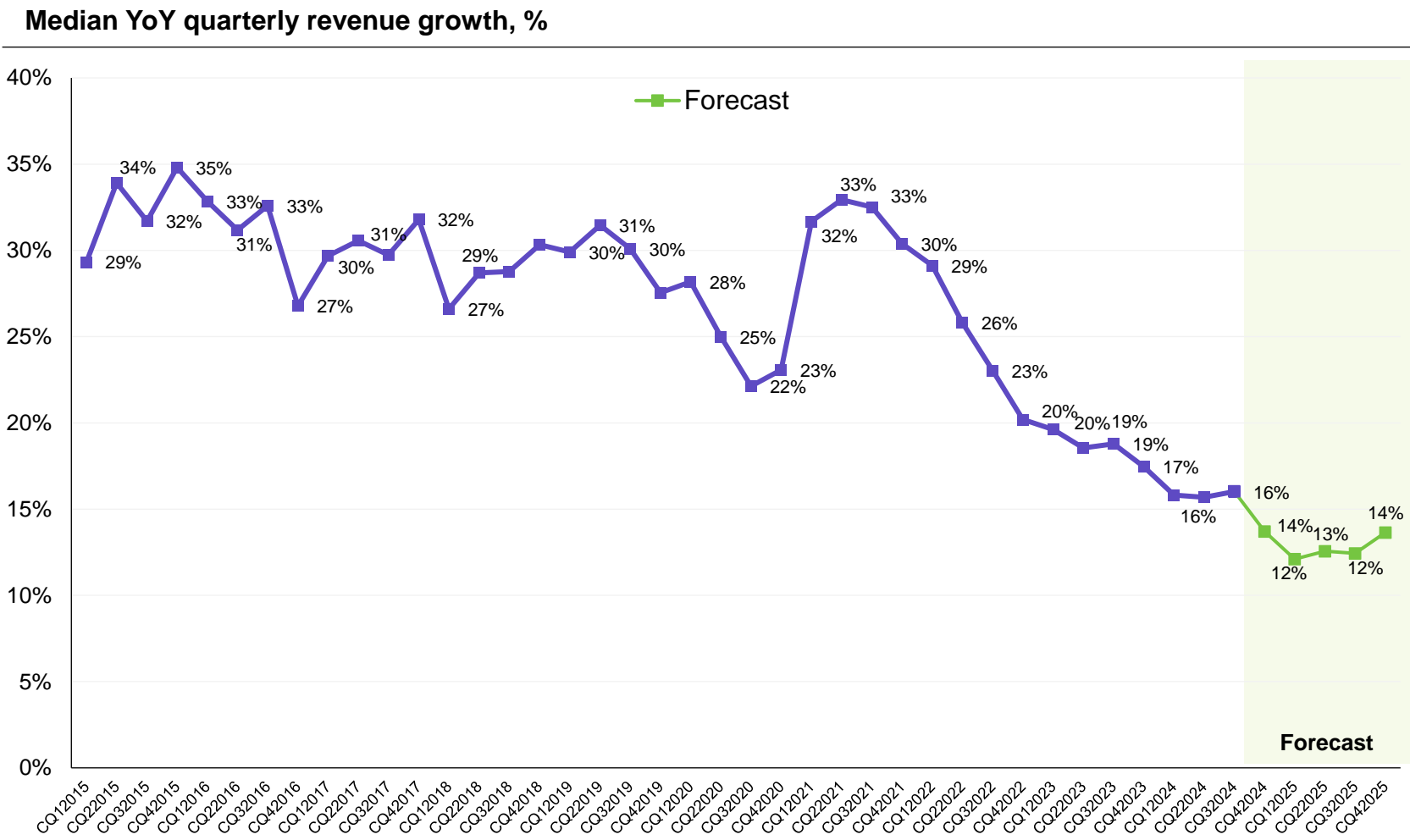
SaaS Valuations: EV/Revenue multiple

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



Deep-dive: SaaS growth rates

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



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.

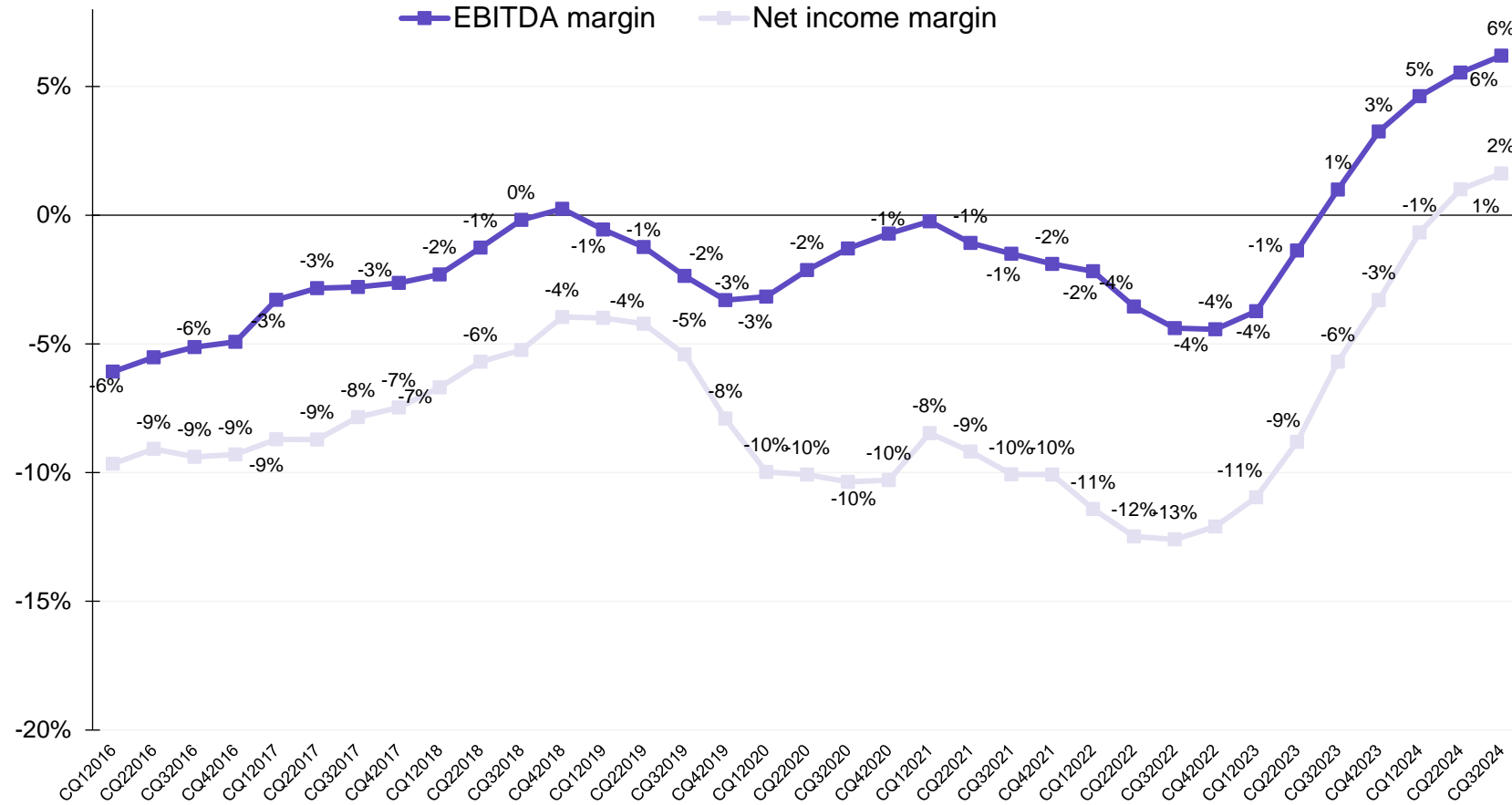
Q4 2024 update

- 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.

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

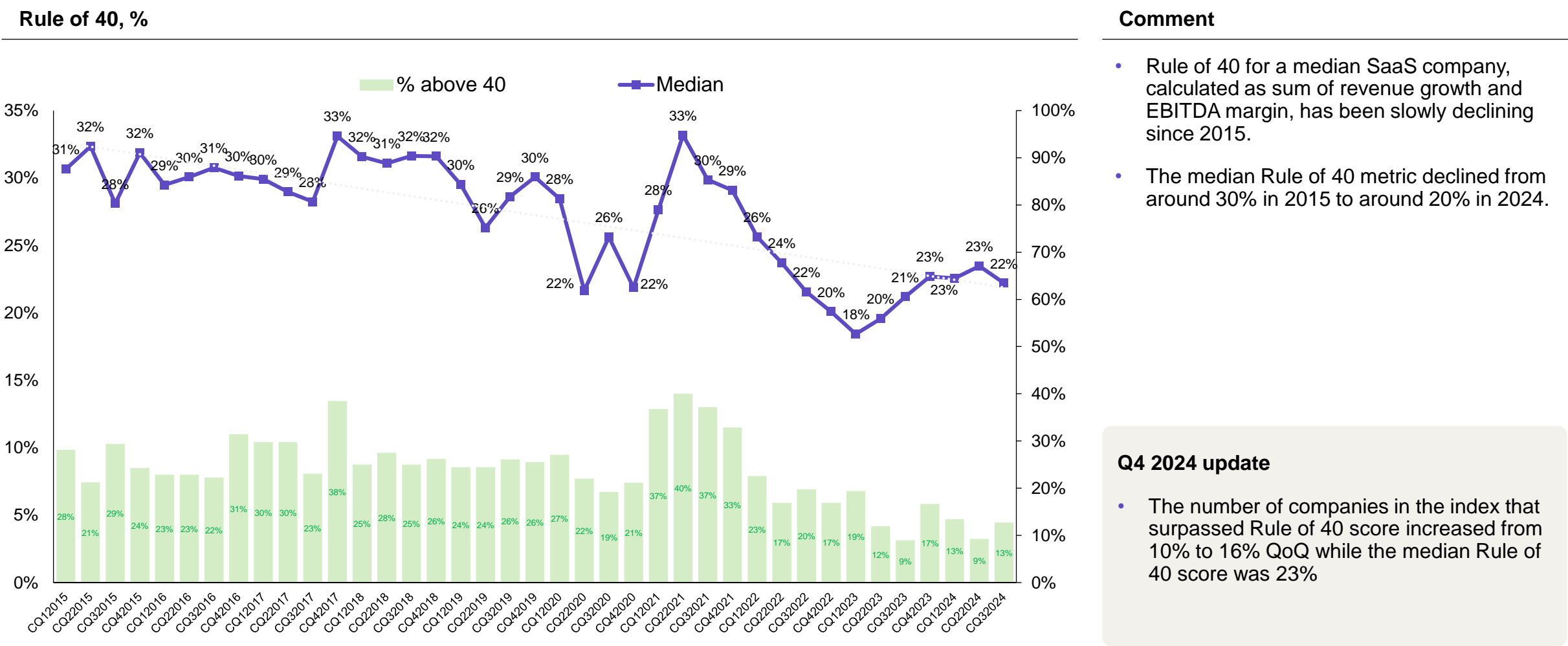
- Over the 2015-2022 period, a median SaaS company lost money on both Net Income and EBITDA margin basis.
- Following the margin increase in 2016-2019, SaaS margins deteriorated again as the companies invested in growth aggressively.
- While many companies report positive FCF margins, it commonly includes 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.

Deep-dive: SaaS Rule of 40

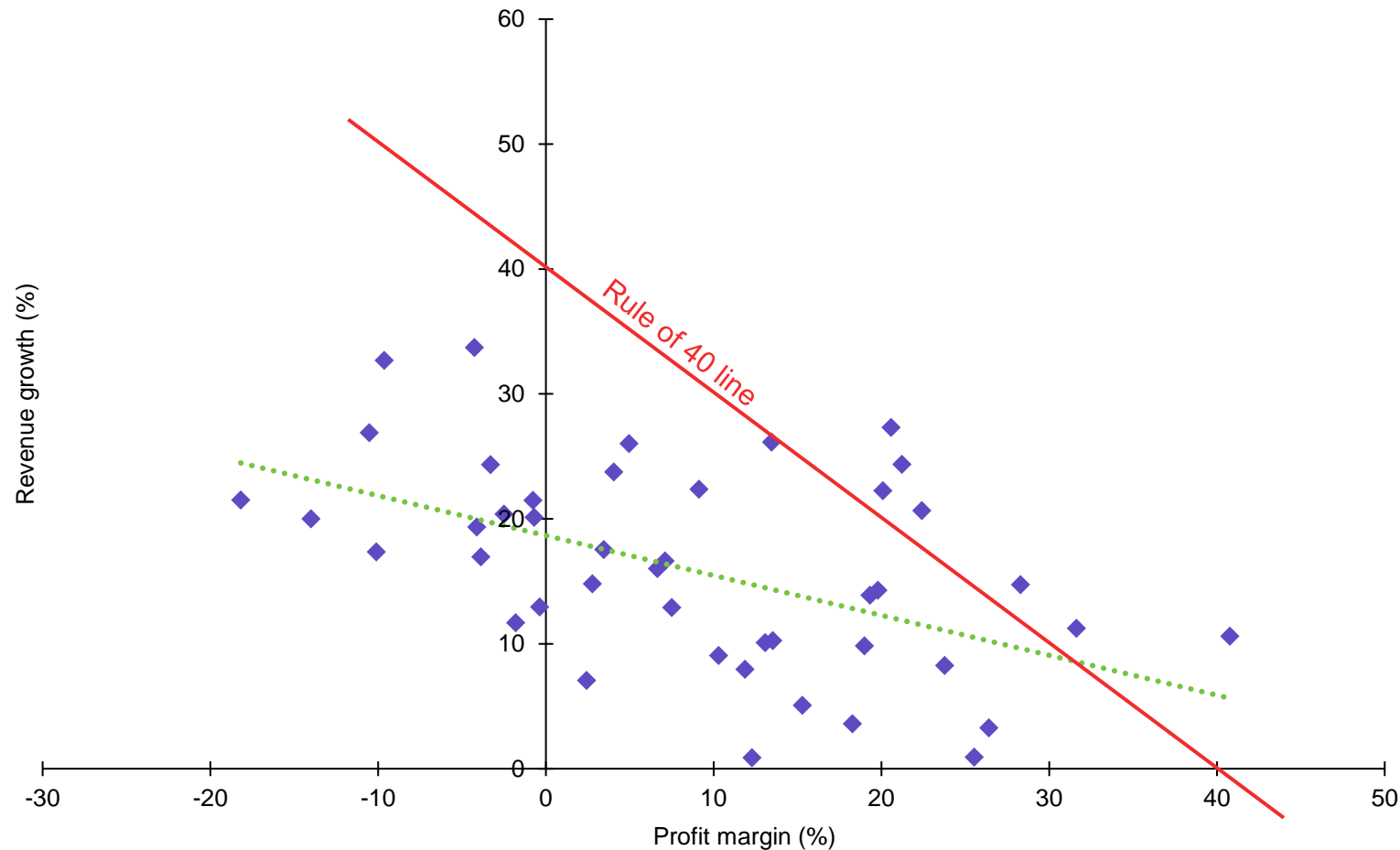
Rule of 40 metric for SaaS companies have been slowly declining over the past nine years



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.

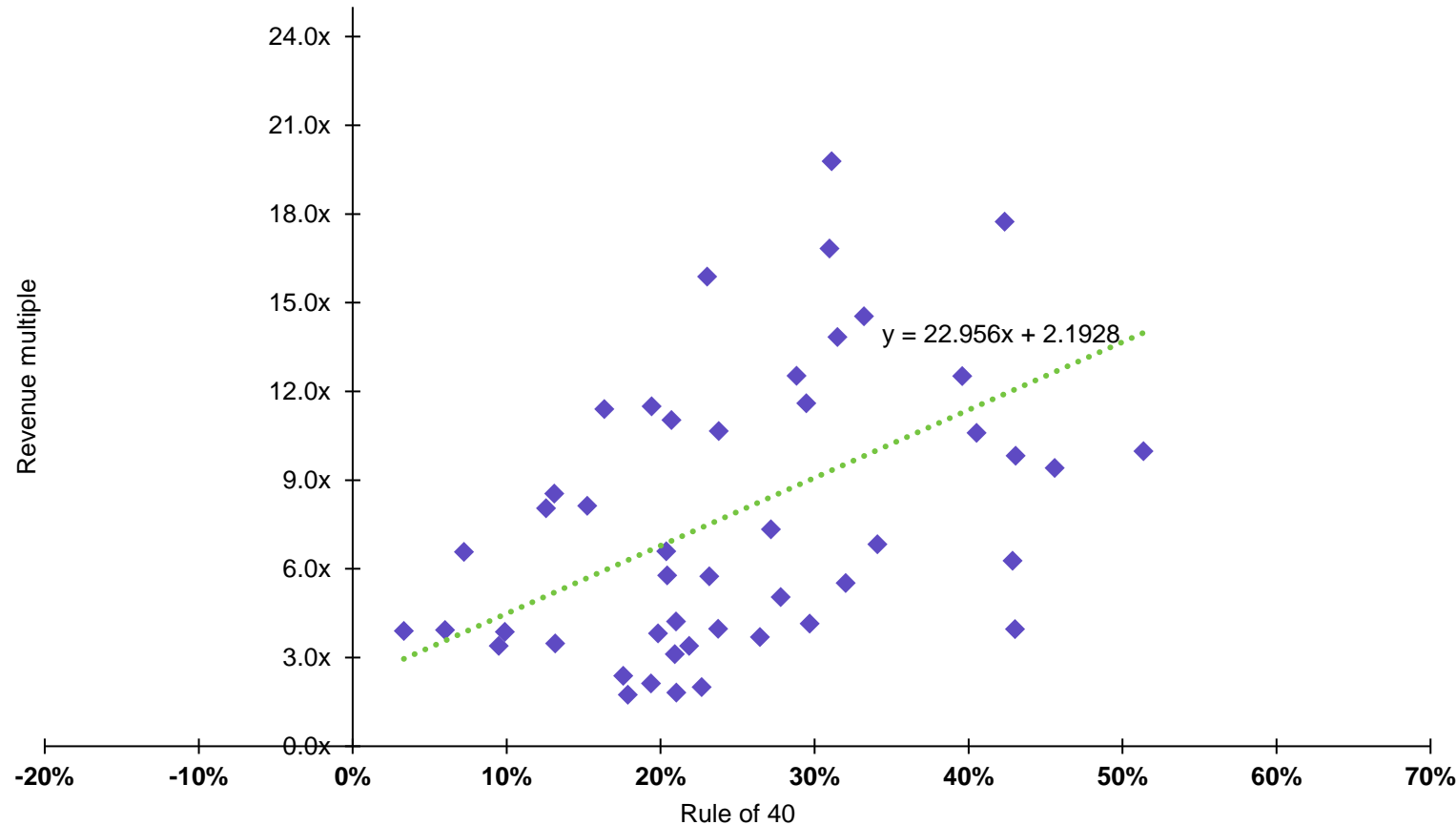
Q4 2024 update

- 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.

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.

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SaaS Multiples

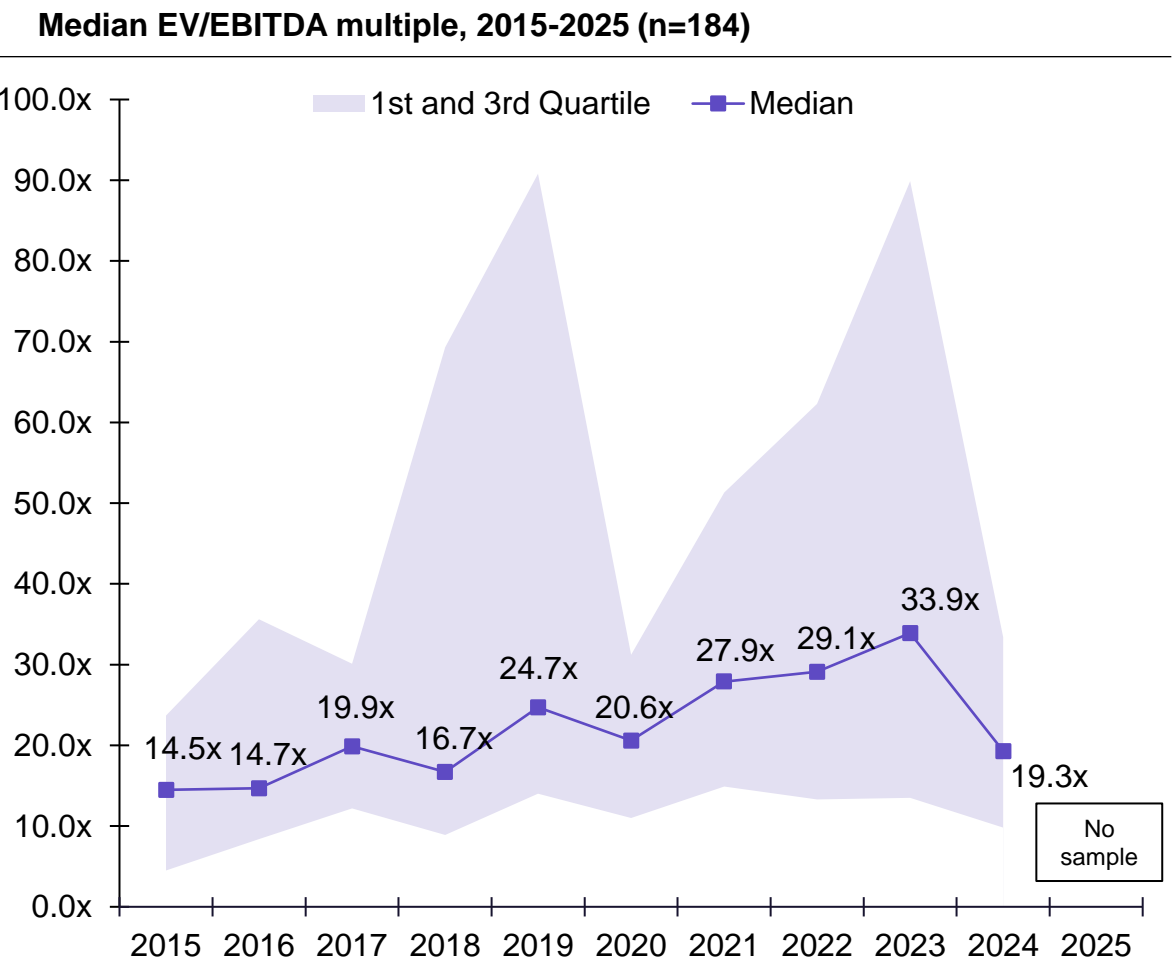
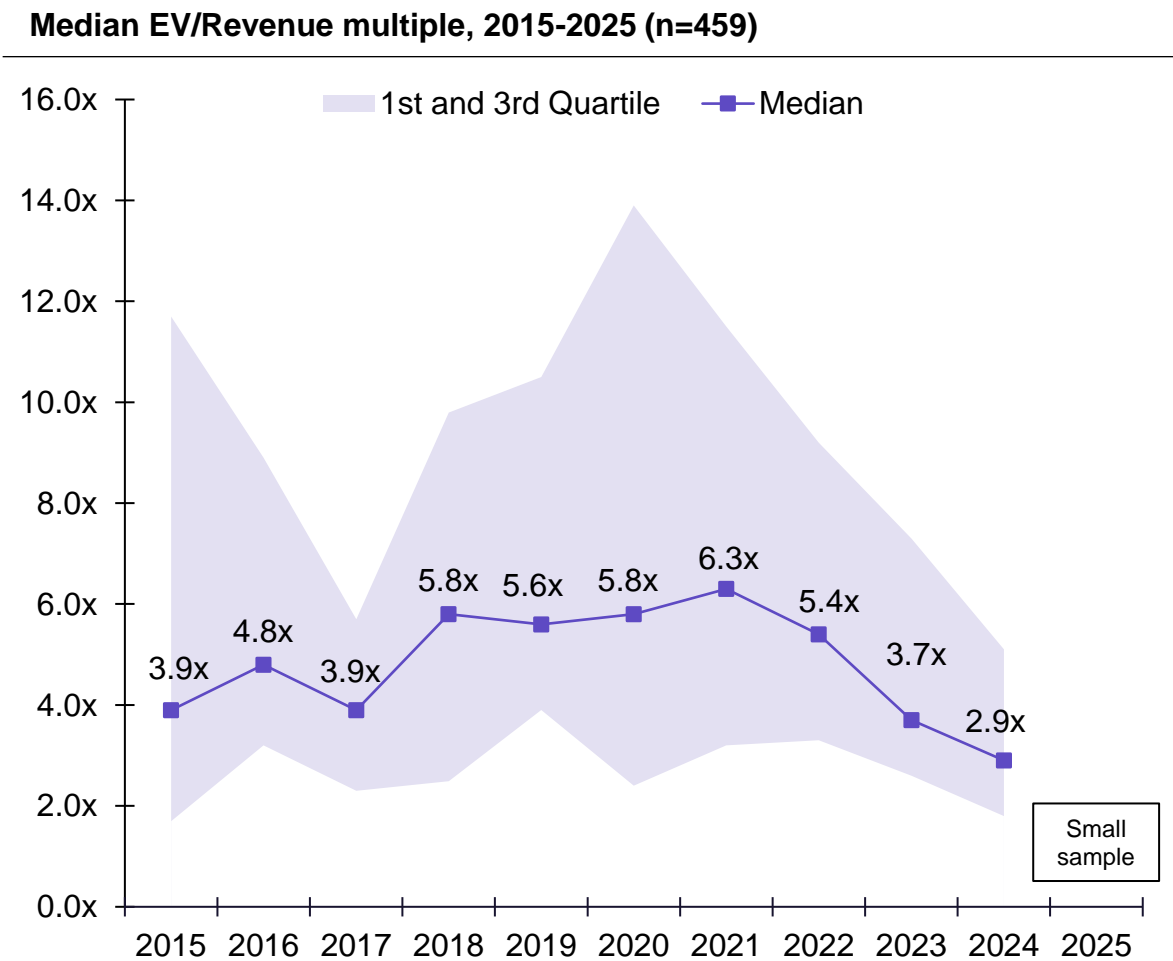
Since 2015, SaaS companies have had median EV/Revenue of 4.7x and EV/EBITDA of 22.1x

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

SaaS valuation multiples in M&A transactions

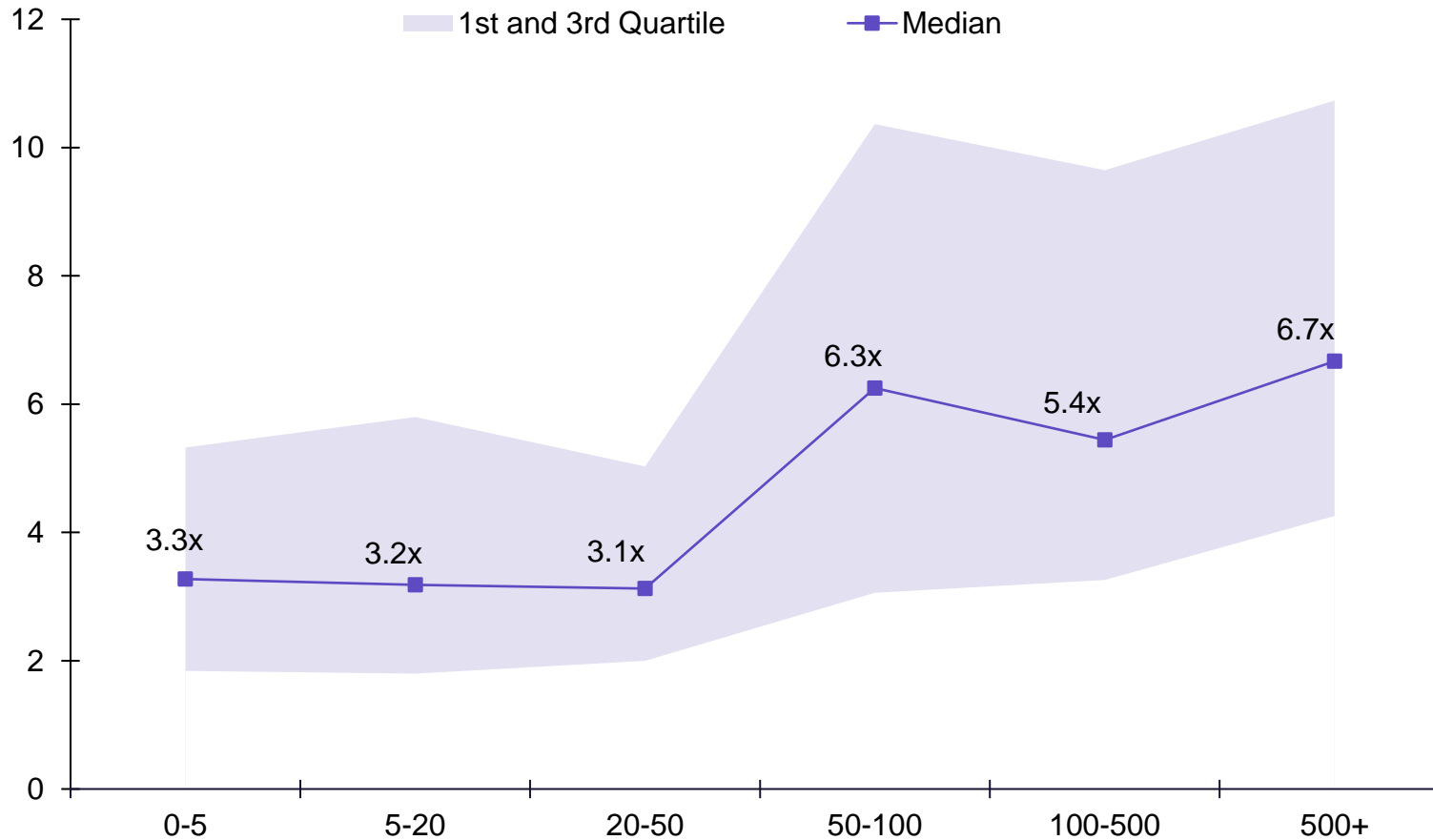
The EV/Revenue multiple for SaaS companies has been declining over the past years



Valuation drivers: Deal size

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

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



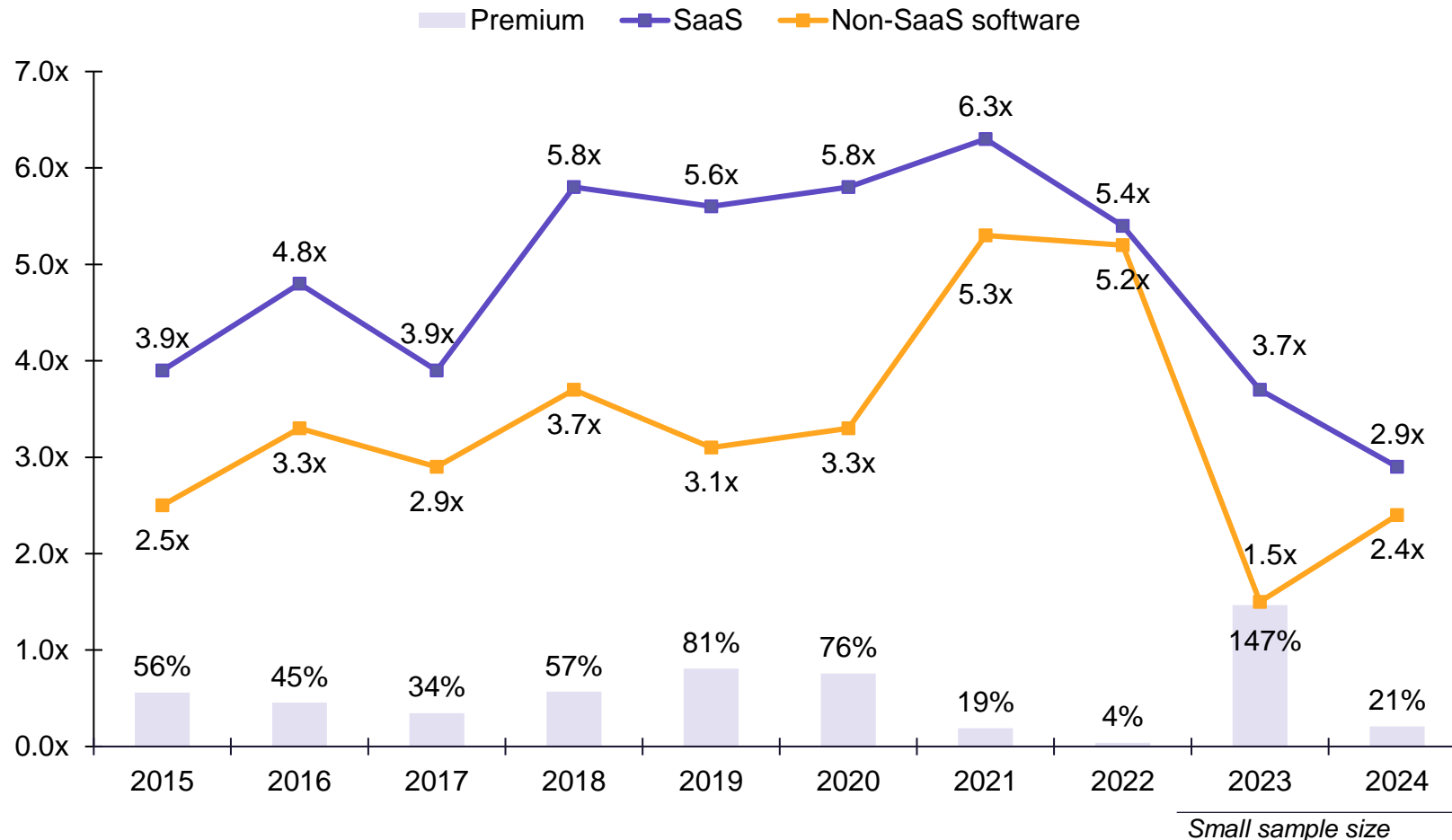
Key findings

- 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

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



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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