

# SaaS Valuations 2025: Where are We Headed?

Webinar

# Agenda

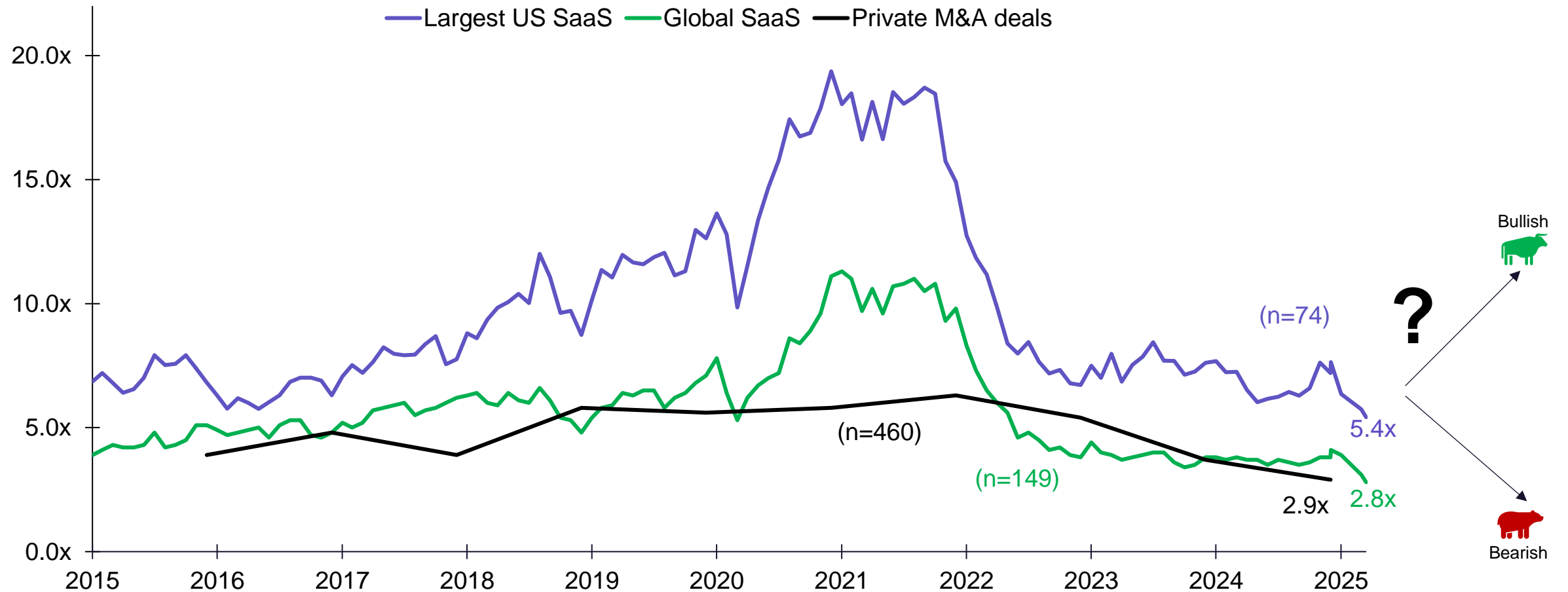
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2. 2025 Outlook: The Big Shift Ahead in SaaS Valuations
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# Ten years of SaaS valuations and Outlook

The biggest publicly listed US SaaS companies continue to fetch premium valuations over SaaS companies listed globally elsewhere

## Publicly listed and private market SaaS valuations, EV/Revenue multiple, 2015-2025

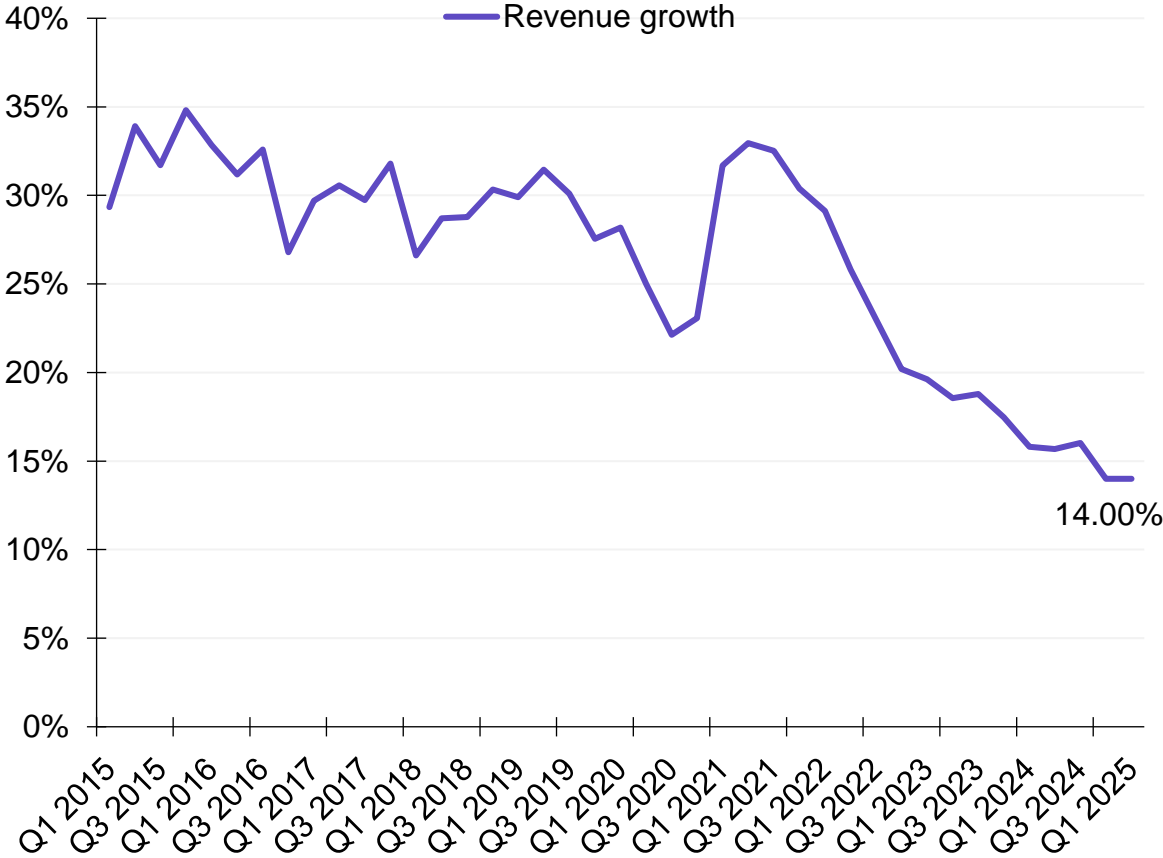


Note: The last EV/Revenue multiple data for private M&A deals is from 2024

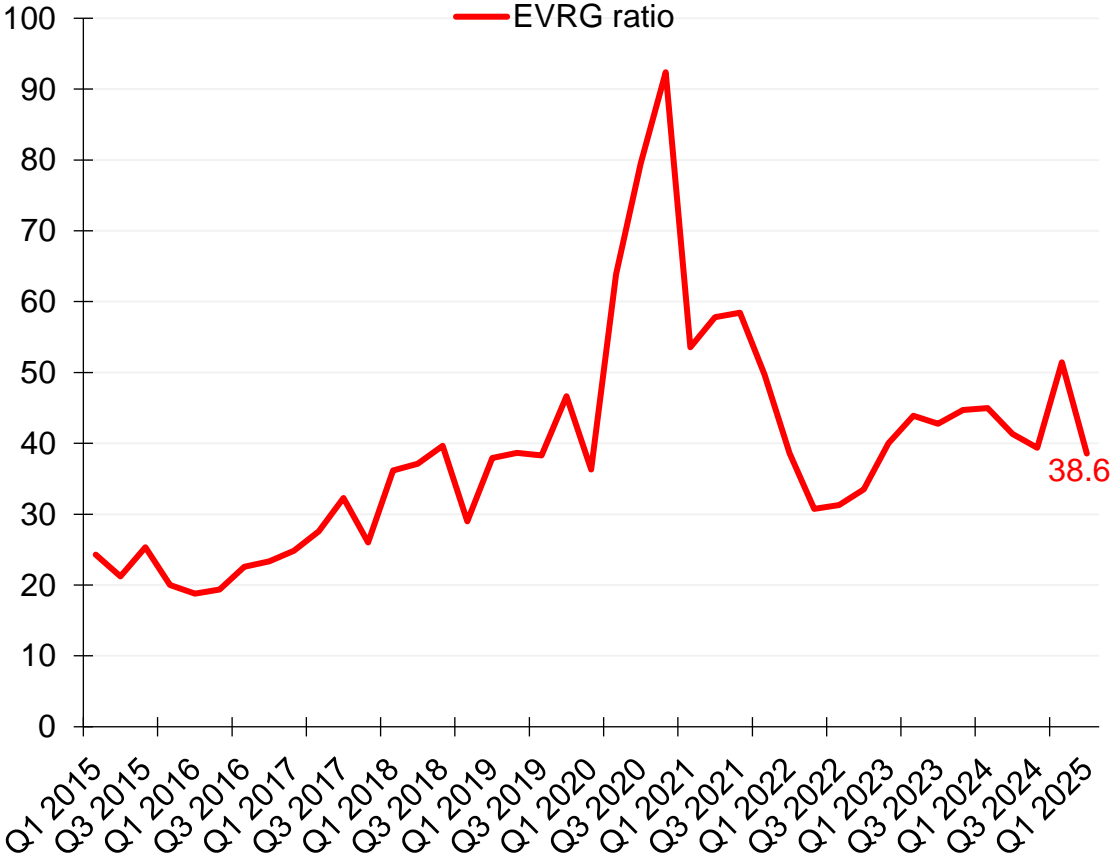
# But what is going on with the growth rates?

Growth has slowed down but valuations haven't adjusted proportionally, suggesting a potential repricing incoming for SaaS valuations

Median YoY quarterly revenue growth, %



EVRG ratio, EV/Revenue to Growth





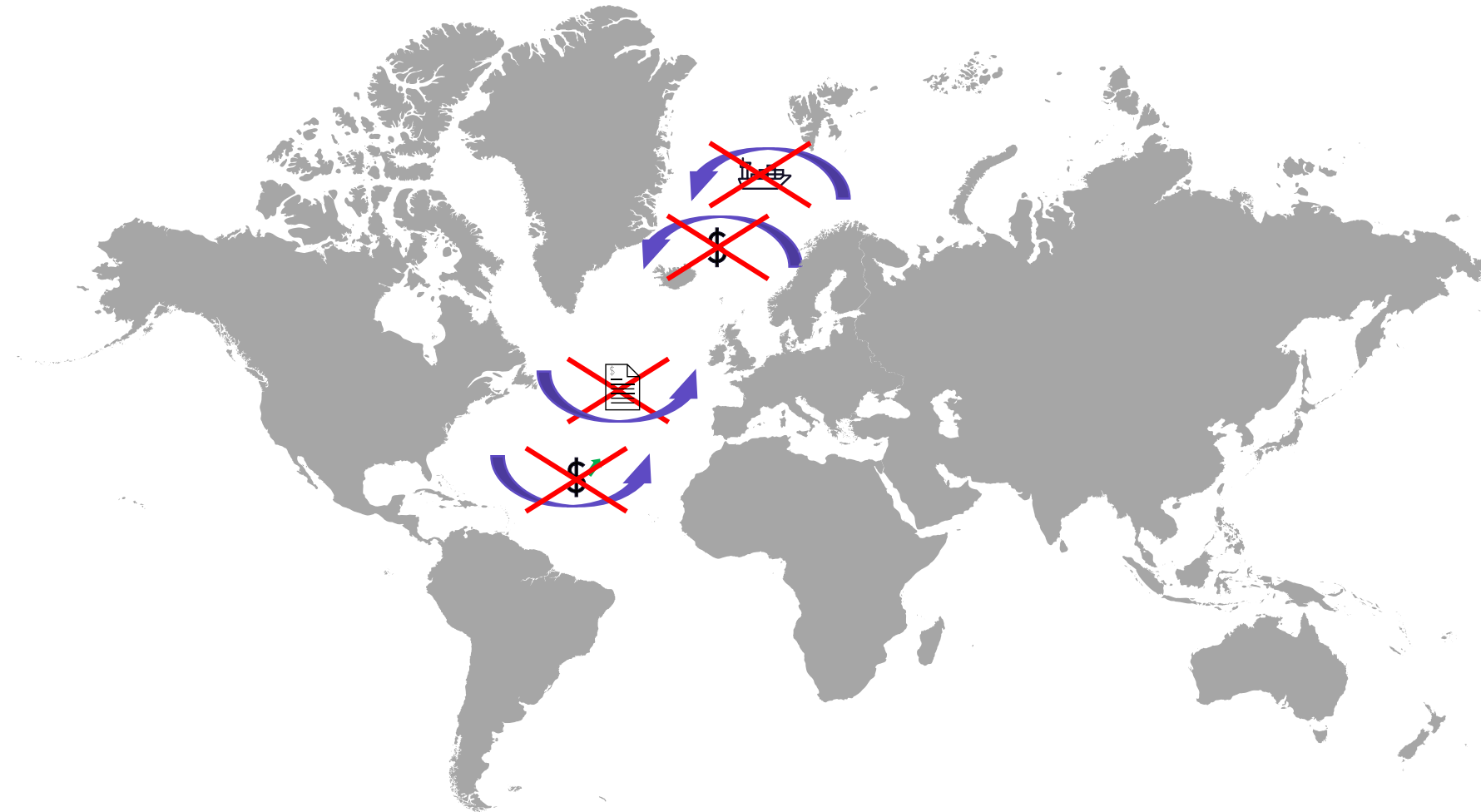
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# How do tariffs affect the SaaS valuations?

With lower currency exports, there is lower demand from foreign investors for US financial assets, affecting the valuations



# Global SaaS shakeup: The SAP surprise

SAP recently overtook Salesforce and is now trading at a higher EV/Revenue multiple

## Fundamental overview, FY 2024

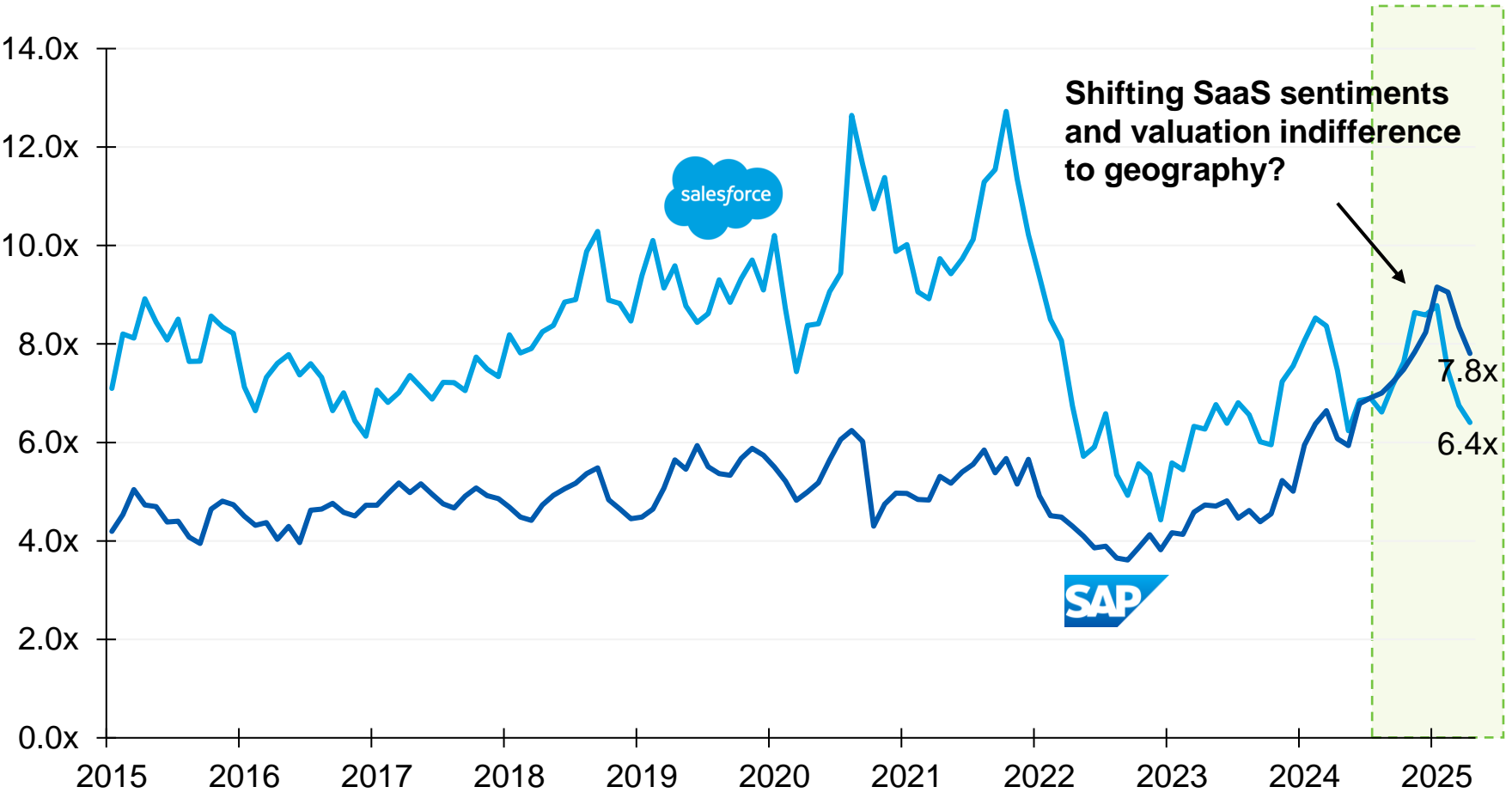


Enterprise value, \$B	242.6
Revenue growth	11%
Operating margin	20%



Enterprise value, \$B	307.0
Revenue growth	10%
Operating margin	24%

## EV/Revenue multiple of Salesforce Vs SAP, monthly, 2015-2025



## 2025 outlook: The incoming shift in valuations

If tariffs take full force, with recession and higher inflation and unemployment, SaaS companies will be hit

Factor	Impact on SaaS businesses and valuations	Impact on valuation
Stagnant economic growth	<ul style="list-style-type: none"><li>• <b>Revenue deceleration</b> as enterprises initiate budget cuts, prolonged sales cycle, weak new customer acquisition</li></ul>	<b>High</b>
Sticky inflation	<ul style="list-style-type: none"><li>• <b>Higher cost of capital</b> along with squeeze on profitability margins, and valuation multiples compression</li></ul>	<b>Nuanced</b>
Rise in unemployment	<ul style="list-style-type: none"><li>• <b>High churn and revenue deceleration</b> due to reduced demand for B2C SaaS and potential B2B downsizing</li></ul>	<b>Medium</b>
Uncertainty rise	<ul style="list-style-type: none"><li>• <b>Longer sales cycles and lower focus on tech</b> ultimately put downward pressure on growth forecasts and valuations</li></ul>	<b>Medium</b>



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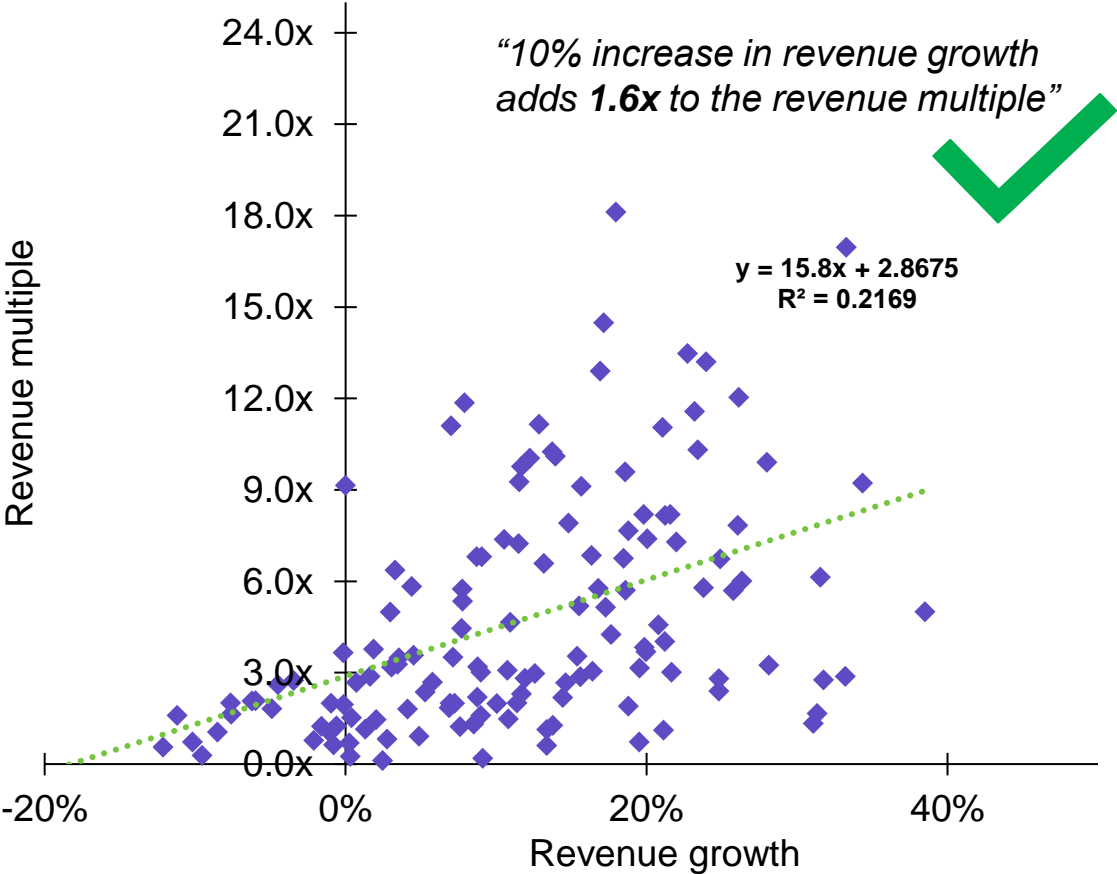
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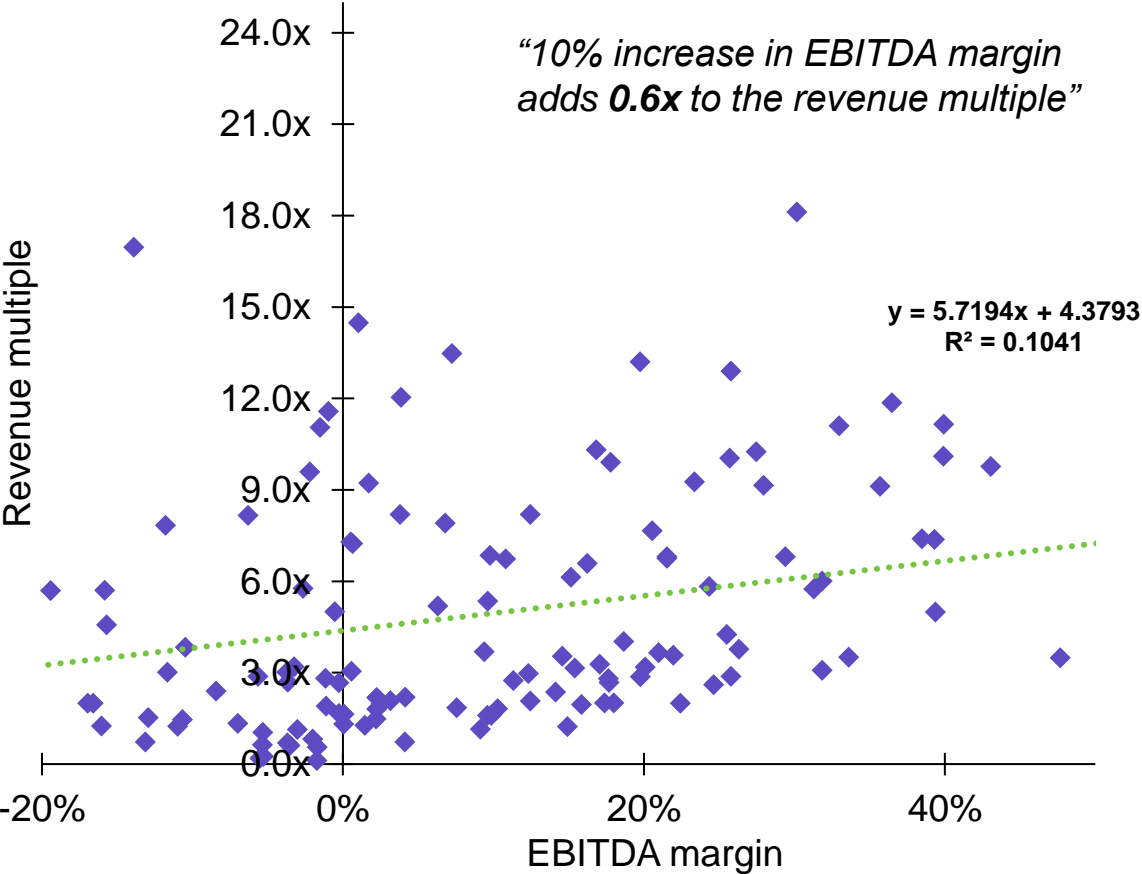
# Rule of 40 in practice...

Revenue growth is still a much better predictor of valuation multiple than EBITDA margin

Revenue growth vs. Revenue multiple (n=137)



EBITDA margin vs. Revenue multiple (n=137)



# ...and in theory

Growth drives valuation more than Rule of 40—higher growth leads to much higher EV/Revenue multiples despite lower margins

<b>ASSUMPTIONS:</b>	<ul style="list-style-type: none"><li>• 10-year forecast period</li><li>• Each company is at Rule of 40 every year</li><li>• Each company reaches a “steady state” of 20% growth / 20% margin</li></ul>		
<b>Low growth/High profit</b>	<u>Now</u> <ul style="list-style-type: none"><li>• Revenue: <b>\$10M</b></li><li>• EBITDA: <b>\$4M (40% margin)</b></li><li>• Growth: <b>0%</b></li></ul>	<u>In 10 years</u> <ul style="list-style-type: none"><li>• Revenue: <b>\$24M</b></li><li>• EBITDA: <b>\$5M (20% margin)</b></li><li>• Growth: <b>20%</b></li></ul>	<b>\$23M</b> (2.3x EV/R)
<b>Low growth start with high profit</b>	<ul style="list-style-type: none"><li>• Revenue: <b>\$10M</b></li><li>• EBITDA: <b>\$2M (20% margin)</b></li><li>• Growth: <b>20%</b></li></ul>	<ul style="list-style-type: none"><li>• Revenue: <b>\$52M</b></li><li>• EBITDA: <b>\$10M (20% margin)</b></li><li>• Growth: <b>20%</b></li></ul>	<b>\$31M</b> (3.1x EV/R)
<b>High growth with low profit</b>	<ul style="list-style-type: none"><li>• Revenue: <b>\$10M</b></li><li>• EBITDA: <b>\$0M (0% margin)</b></li><li>• Growth: <b>40%</b></li></ul>	<ul style="list-style-type: none"><li>• Revenue: <b>\$104M</b></li><li>• EBITDA: <b>\$21M (20% margin)</b></li><li>• Growth: <b>20%</b></li></ul>	<b>\$42M</b> (4.2x EV/R)

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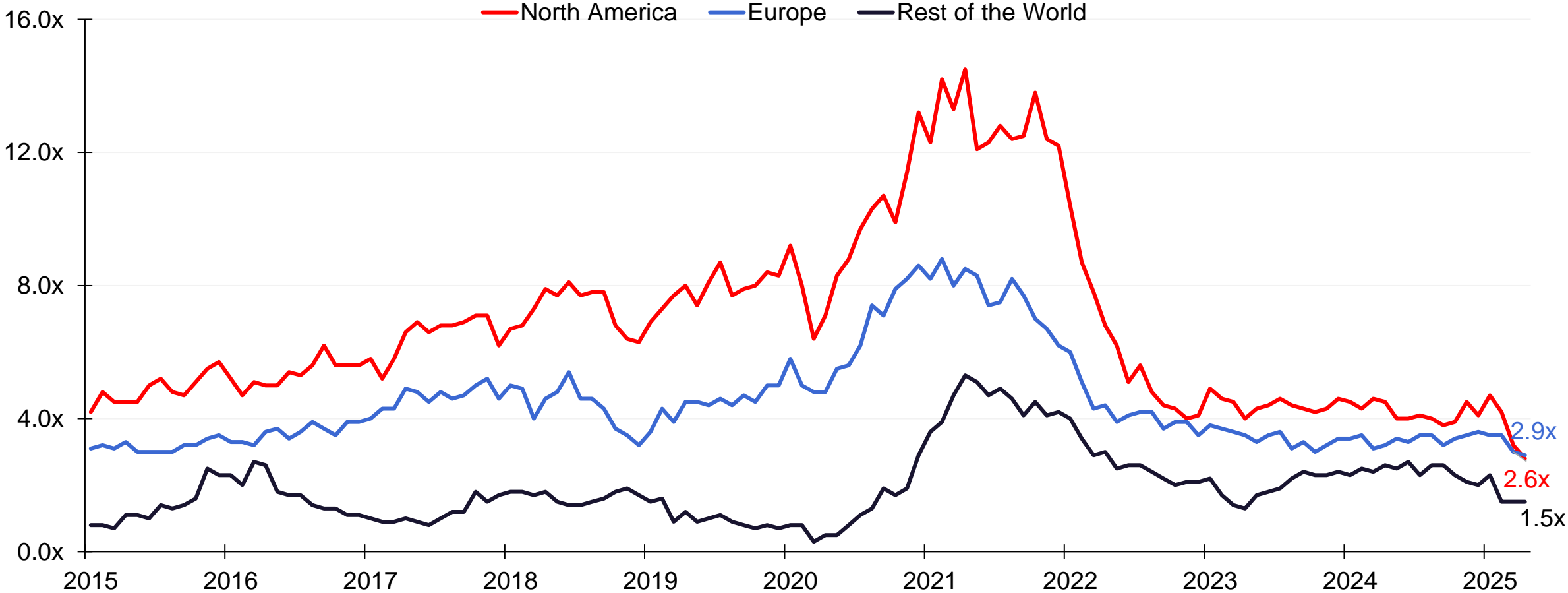




# Is North America losing steam?

However, the valuation gap between North American and European SaaS companies has closed after the recent stock market movements

Median EV/Revenue multiple by region, 2015-2025 (n=149)





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# Summary



SaaS valuations have declined, but still have **room to go lower**, especially if fundamentals deteriorate



**Tariffs** will affect the valuations indirectly through **economic slowdown** and **higher interest rates**



Growth is still more important for valuation than profitability; **if 1pp increase in growth rate costs 1pp in profitability – invest in growth**



North American companies have closed the valuation gap with European SaaS companies for the first time

# Contact

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