Aventis *Advisors* 

# SaaS Valuation Multiples: 2015-2025

Q3 2025 update

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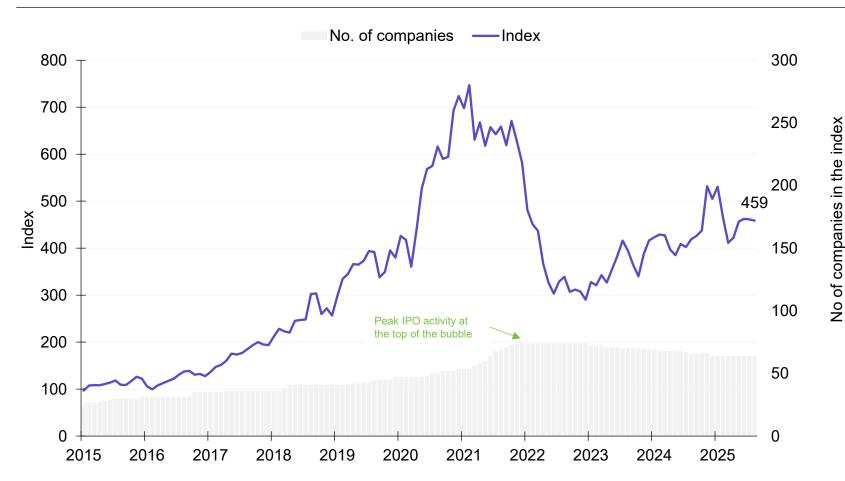
- 1. SaaS valuations: Listed companies
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### SaaS Valuations: Aventis SaaS Index

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

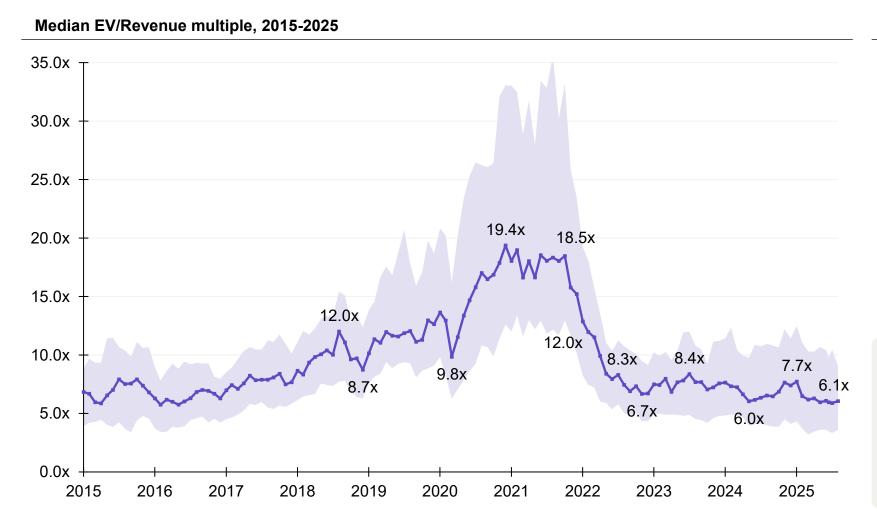
- Index of SaaS companies has been slowly growing in the 2015-2020 period driven by the expanding valuation multiples, as well as by rapid growth of the companies
- After the unprecedented monetary and fiscal stimulus and COVID digitalization tailwinds, the index jumped in 2020 to over 600 points by 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

#### **Q3 2025 update**

- As of August 2025, the Aventis SaaS Index is down by 9% YTD
- The index value was 459pts at the end of August 2025

# 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



#### 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

#### Q3 2025 update

As end of August 2025, the median revenue multiple was 6.1x

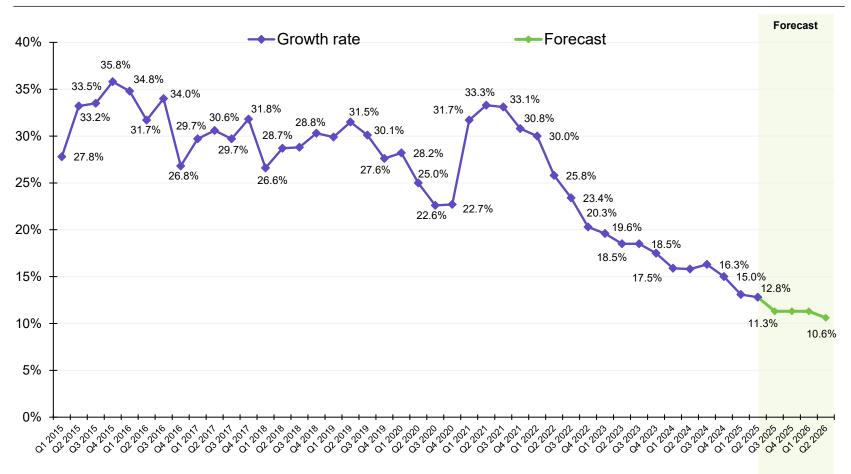
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Source: S&P Capital IQ as of 22 Sep 2025

### Deep-dive: SaaS growth rates

SaaS revenue growth rates continued to deteriorate reaching a median of 12.8% in Q2 2025

#### Median YoY quarterly revenue growth, %



#### Comment

- SaaS growth rates have been slowly decelerating over the past ten 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

#### **Q3 2025 update**

 A continued decline of SaaS growth rate in 2025, driven by lower new adds and a shift of growth in the AI space

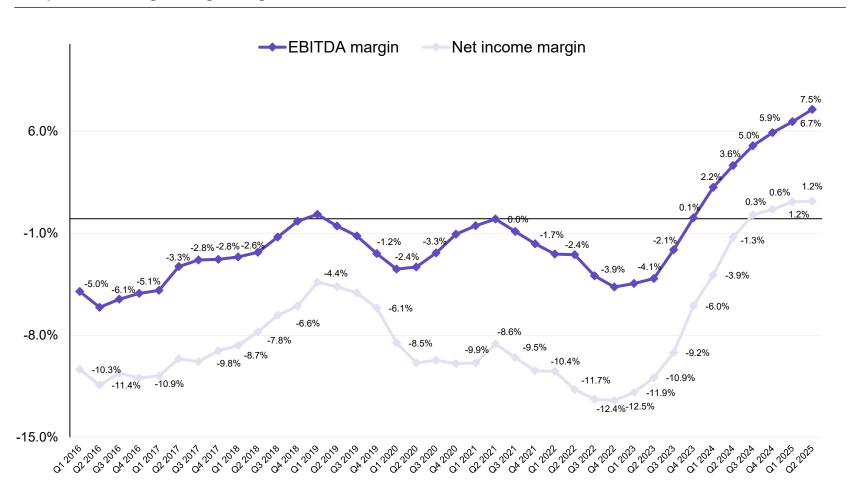
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Source: S&P Capital IQ

# 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
- By Q2 2025, both EBITDA and Net Income margins are near their strongest levels in a decade, but the rate of improvement is slowing, indicating that further gains will require revenue growth rather than additional cost cutting

#### **Q3 2025 update**

 As of September 2025, SaaS companies have continued to improve profitability, with the median EBITDA margin reaching 7.5% and Net Income margin at 1.2%

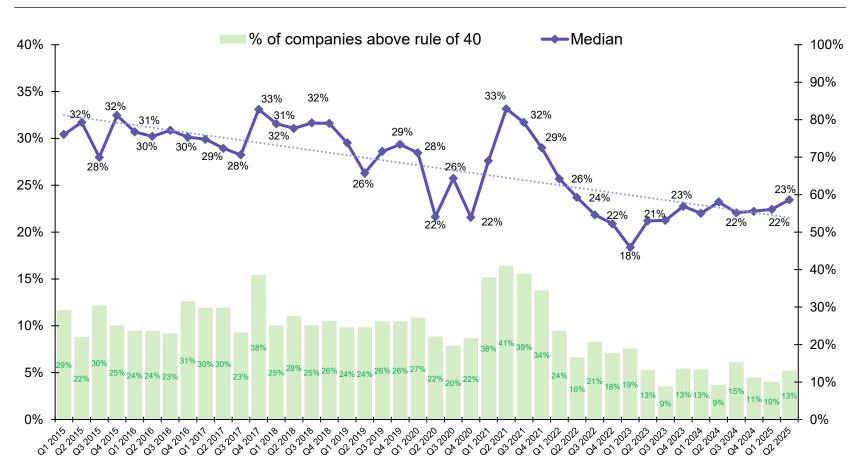
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Source: S&P Capital IQ

### 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 2025

#### **Q3 2025 update**

 Only 13% of companies in the index exceeded a Rule of 40 score, while the median score was 23%

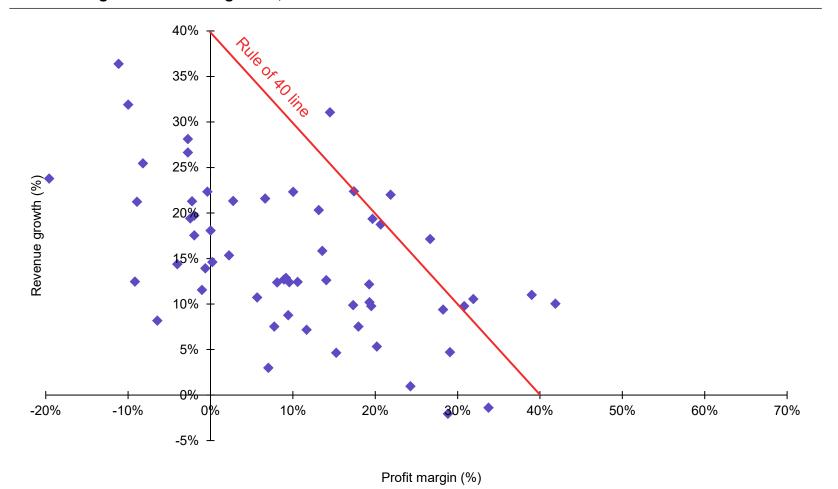
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Source: S&P Capital IQ

# Deep-dive: Rule of 40

Very few companies are satisfying Rule of 40 in our analysis from 2015-2025

#### Profit margin vs. Revenue growth, % As of Q2 2025



#### **Comments**

- Among 71 companies in our sample, only a few stayed above Rule of 40 as of Q2 2025
- The companies comfortably above Rule of 40 included Adobe, Shopify, Autodesk,
- Rule of 40 implies a one-to-one tradeoff between a percentage point of revenue growth and margin

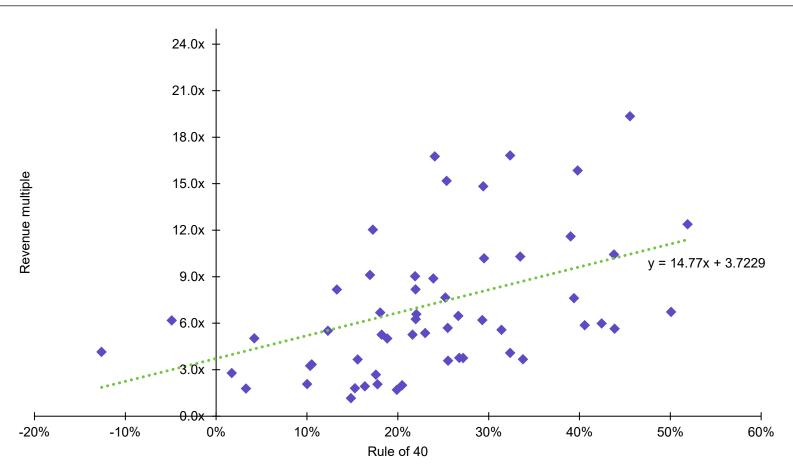
#### **Q3 2025 update**

- Most companies still fail to meet the Rule of 40 score
- Out of 58 actively traded SaaS companies in our index, 50 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 ~1.5x revenue multiple growth

#### Revenue multiple vs Rule of 40



#### **Comments**

- The Rule of 40 has regained importance as a key predictor of SaaS valuations, with its influence strengthening compared to prior quarters
- Companies with a near-zero Rule of 40 are currently expected to trade at approximately 3.7x revenue, based on the regression intercept
- While higher Rule of 40 scores are generally linked to higher multiples, there remains significant variation, with companies at similar Rule of 40 levels trading between 3x and 20x+ revenue, driven by factors like market positioning and strategic value

#### **Q3 2025 update**

- In Q2 2025, a 10-point increase in the Rule of 40 adds about 1.5x to the EV/Revenue multiple
- This is up from 0.8x in Q1 2025 and close to levels seen in September 2024

Aventis Advisors 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 22.4x

Multiple (2015-2024)	Sample (n)	Median deal size	1st quartile	Median	3rd quartile
EV/Revenue	495	\$66M	2.5x	4.8x	8.2x
EV/EBITDA	206	\$133M	12.8x	22.4x	46.6x

#### Search criteria:

Industry is Computer Software; Software as a Service (SaaS)

targets selected

Deal value and multiples are disclosed

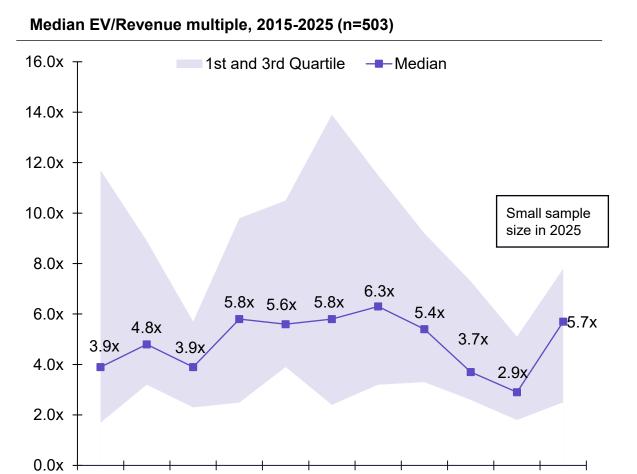
Period: 01.01.2015 - 22.09.2025

N=503 transactions

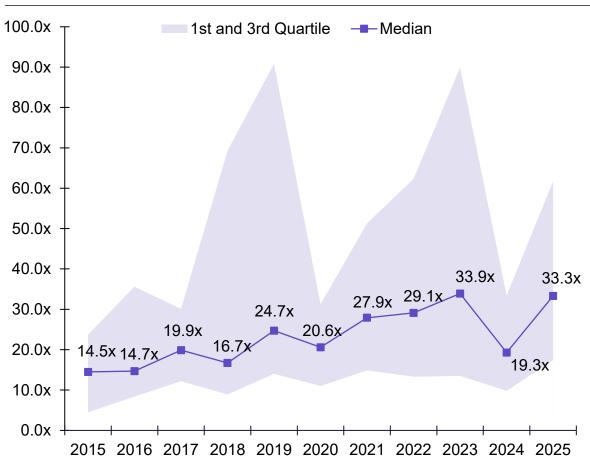
Source: Mergermarket

# SaaS valuation multiples in M&A transactions

Median valuation multiples increased as large deal share doubled year-over-year



#### Median EV/EBITDA multiple, 2015-2025 (n=206)



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Source: Mergermarket (as of Sep 2025)

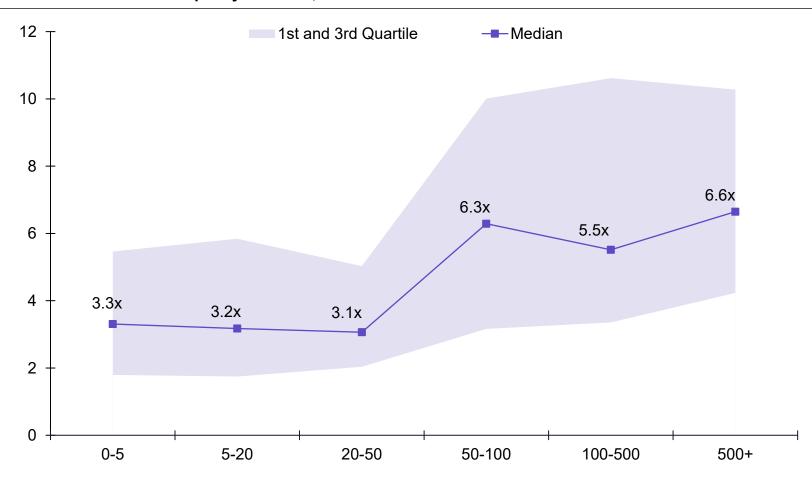
2022 2023 2024 2025

2015 2016 2017 2018 2019 2020 2021

### Valuation drivers: Deal size

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

#### Median EV/Revenue multiple by deal size, 2015-2025



#### **Key findings**

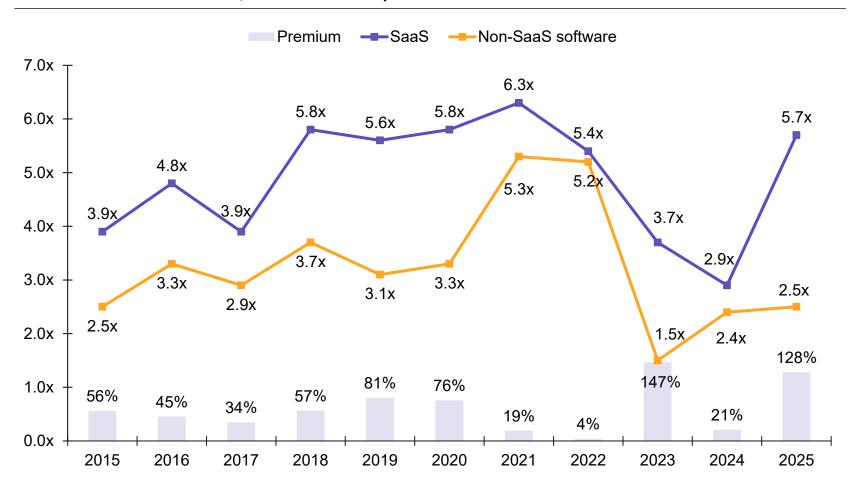
- The EV/Revenue multiple for acquired SaaS companies tends to increase with the size of the company.
- The gap between the 1st and 3rd quartile of the EV/Revenue multiple widens as the size of the company increases.
- Larger deals include strategic acquirers, take-private transactions, yet the elevated 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.

Aventis Advisors Source: Mergermarket

### Valuation drivers: SaaS vs Non-SaaS business model

SaaS companies continue to trade at higher multiples, with the SaaS premium rebounding sharply in 2025 after years of decline

#### SaaS vs Non-SaaS software, EV/Revenue multiple



#### **Key findings**

- In 2025, deals over \$50M accounted for more than 60% of all transactions, reflecting a strong shift toward larger deal sizes
- 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

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Aventis Advisors Source: Mergermarket

# 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	200	330	5.5x	33.4x
United Kingdom	63	25	4.2x	19.9x
Norway	25	27	5.2x	22.7x
Australia	29	58	4.0x	18.1x
<b>∳</b> Canada	16	73	4.9x	25.0x
France	19	47	2.8x	11.6x
Other	151	19	3.3x	17.7x
Total	495	47	4.8x	22.4x

Aventis Advisors 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



### 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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