



Software Application Industry

Valuation Report 2023

Now, for tomorrow



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The **profitability 6,7% median** (EBITDA / Revenue), despite decreasing at the beginning of the year, has recovered and surpassed the historical levels of 2022.



The debt level (traditionally low) has decreased with median levels of 13% of Debt-to-assets and 20% of Debt to equity.



The **cash flow** level of companies, after two robust years, has seen an increase

Financial Analysis

Profitability

(EBITDA / Revenue)

The profitability 6.7%, measured as **EBITDA / Revenue**, has **surpassed levels** not seen since 2021 (5.2% median).

The progressive surge during 2023 has been related to economic factors including an economic recovery or a reallocation of consumer preferences.

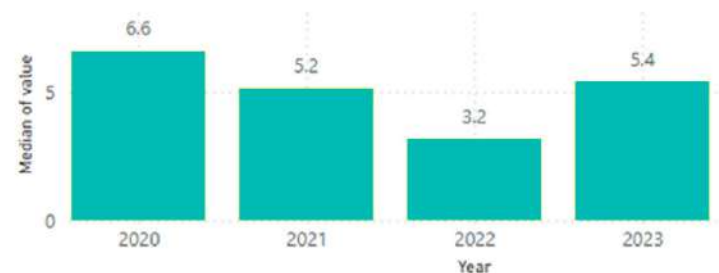
Median Values

Valor ● EBITDA Margin %



Median Values

Valor ● EBITDA Margin %



Outstanding Performers: EBITDA / Revenue

| Company | Year / Valor | 2020 | 2021 | 2022 | 2023 |
|------------------------------|-----------------|-------|-------|-------|-------|
| Adeia Inc | EBITDA Margin % | 84.72 | 86.65 | 71.88 | 61.17 |
| Asseco Business Solutions SA | EBITDA Margin % | 41.37 | 39.79 | 38.73 | 38.76 |
| Planet B2B SA | EBITDA Margin % | 40.78 | 43.78 | 54.65 | 56.39 |
| Roper Technologies Inc | EBITDA Margin % | 39.07 | 38.93 | 39.55 | 43.11 |
| Technology One Ltd | EBITDA Margin % | 34.40 | 40.21 | 41.35 | 43.20 |

The King of Profitability

(EBITDA / Revenue)



TechnologyOne Limited is an Australian enterprise software company founded in 1987, headquartered in Fortitude Valley, Brisbane, with offices in the UK, New Zealand, South Pacific, and Asia. It is listed on the ASX under the symbol TNE and is part of the ASX 200 index.

TechnologyOne provides innovative enterprise solutions such as ERP, cloud services, and data analytics.

The company has demonstrated a strong positive trend in recent years, with revenue growing from **183 million in 2020 to 259 million in 2023**, and EBITDA increasing from 63 million to 112 million over the same period.

Technology One Ltd.

| Year / Valor | 2020 | 2021 | 2022 | 2023 |
|-----------------|--------|--------|--------|--------|
| Revenue | 182.97 | 193.42 | 248.11 | 258.57 |
| EBITDA | 62.94 | 77.77 | 102.60 | 111.69 |
| EBITDA Margin % | 34.40 | 40.21 | 41.35 | 43.20 |

Median Values



Cash Generation Metrics

Cash flow level, after two robust years, **has seen its levels increased.** While the investment levels remain steady, the cash generation from operations has seen a positive trend build up since the first Quarter (Q1) of 2023.

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|---------------------------|---------------|-------|-------|-------|
| Beginning Cash Position | 11.68 | 7.05 | 8.94 | 16.95 |
| Change in Working Capital | 0.00 | -0,02 | -0,04 | 0.00 |
| Cash Flow from Financing | -0,05 | -0,04 | 0.00 | -0,06 |
| Cash Flow from Investing | -0,18 | -0,29 | -0,13 | -0,44 |
| Cash Flow from Operations | 0.14 | 0.09 | 0.15 | 1.30 |
| Ending Cash Position | 11.13 | 5.66 | 8.41 | 17.20 |
| Free Cash Flow | 0.00 | 0.00 | 0.00 | 0.56 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|---------------------------|-------|-------|-------|-------|
| Change in Working Capital | 0.11 | 0.00 | -0,06 | -0,1 |
| Cash Flow from Operations | 1.45 | 1.25 | 0.44 | 6.76 |
| Cash Flow from Investing | -1,81 | -1,95 | -2,61 | -2,5 |
| Cash Flow from Financing | 0.93 | 0.95 | 0.00 | -1,71 |
| Beginning Cash Position | 4.75 | 8.15 | 14.21 | 28.02 |
| Ending Cash Position | 9.43 | 13.59 | 10.18 | 25.21 |
| Capital Expenditure | -1,22 | -1,4 | -1,82 | -2,74 |
| Free Cash Flow | 0.24 | 0.03 | -0,29 | 3.23 |

Investment Analysis



Workday Inc., a global leader in enterprise cloud applications for finance and human resources, has been actively investing in emerging technologies and expanding its capabilities throughout 2023. For instance:

- Workday established an AI Lab Foundation Model team in April 2023 to drive innovation in AI, supported by a robust team of over 1,200 AI-related employees.
- The company has integrated 618 million smart devices into its AloT platform as of March 2023, underscoring its leadership in the smart device market.

These investments demonstrate Workday's commitment to innovation and its focus on emerging technologies that are driving digital transformation.

After the year 2022, which marked the highest investment level in the last decade, **investment in 2023 has returned to historical levels.**

Leading Companies in Cash Flow Investment

| Year Quarter Company | 2023 Qtr 1 | Qtr2 | Qtr 3 | Qtr 4 |
|----------------------------|---------------|---------|----------|---------|
| Datadog Inc | -239,34 | -101,56 | -179,01 | -159,59 |
| SAP SE | -499 | 6863.00 | -3457 | -2001 |
| ServiceNow Inc | -489,42 | -622,1 | -491,93 | -407,15 |
| Uber Technologies Inc | -372,67 | 376.58 | -2263,79 | -751,02 |
| Worday Inc | -352,83 | -650,23 | -348,35 | -162,89 |

Debt Evolution Analysis

The software sector is traditionally characterized by **low leverage**, with debt representing 15% of the total assets.

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|---------------------------------|---------------|-------|-------|-------|
| Debt-to-Equity | 0.12 | 0.14 | 0.13 | 0.13 |
| Debt-to-Asset | 0.10 | 0.10 | 0.10 | 0.10 |
| Degree of Financial Leverage | 0.96 | 0.96 | 0.96 | 0.97 |
| Equity-to-Asset | 0.52 | 0.50 | 0.52 | 0.53 |

| Year / Valor | 2020 | 2021 | 2022 | 2023 |
|---------------------------------|------|------|------|------|
| Debt-to-Equity | 0.19 | 0.20 | 0.21 | 0.20 |
| Debt-to-Asset | 0.50 | 0.55 | 0.52 | 0.52 |
| Degree of Financial Leverage | 0.14 | 0.14 | 0.15 | 0.13 |
| Equity-to-Asset | 0.99 | 0.92 | 0.95 | 0.97 |

Valuation Analysis

Multiple Valuation Analysis

(EV / Revenue)

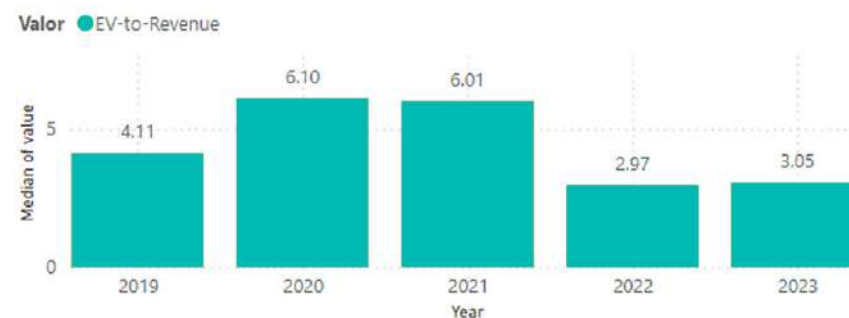
The **enterprise value-to-revenue multiple (EV/Revenue)** compares a company's enterprise value (EV) to its annual revenue. It is a valuable tool to assess a company's valuation, particularly for early-stage or high-growth companies that may not have positive earnings yet.

Following the COVID-19 pandemic, in **2021**, investors showed increased optimism about economic recovery, leading to a rise in multiples. However, in **2022**, a decline to **2.97x** was observed. In **2023**, a slight recovery in the multiple has been noted, remaining stable above **3.05x**.

Median Values



Median Values

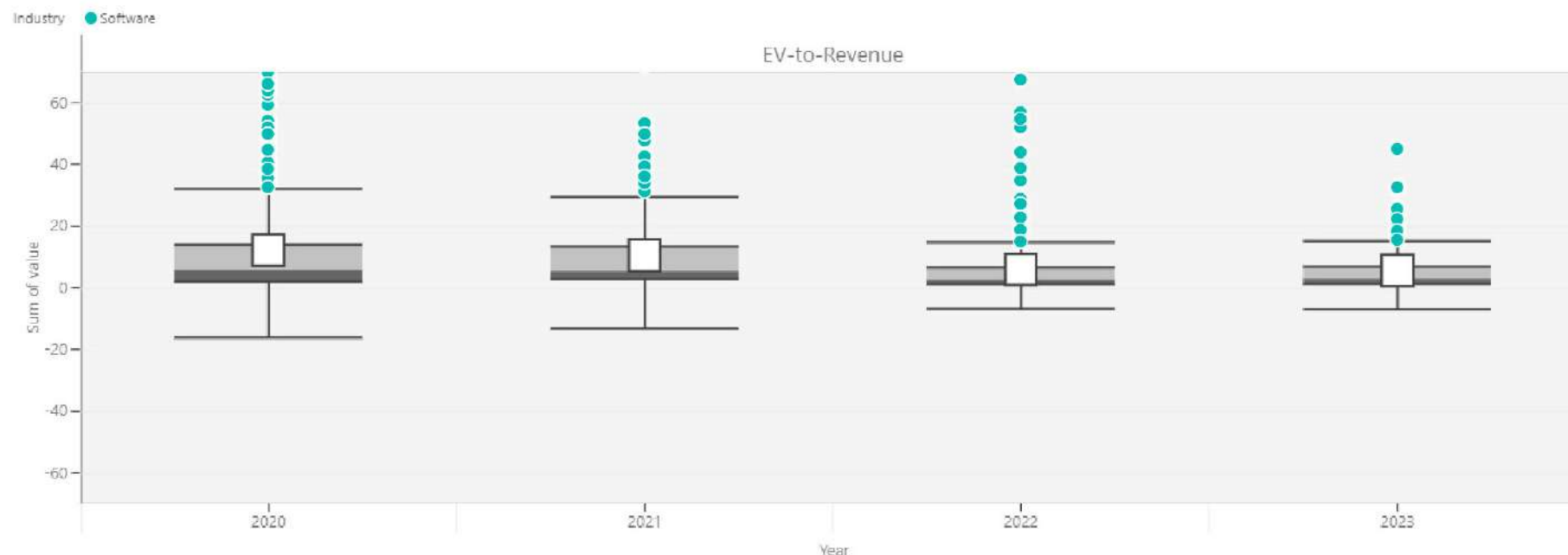


Multiple Valuation Analysis

(EV / Revenue)

The analysis of the **EV/Revenue** multiple chart reveals stable dispersion levels over the years. However, the last two years exhibit a IQR decrease, indicating greater concentration. The IQR in **2021** was **10.66**, while **2022** and **2023** record values of **5.39** and **5.58**, respectively.

Descriptive Analytics



Multiple Valuation Analysis

(EV to EBITDA)

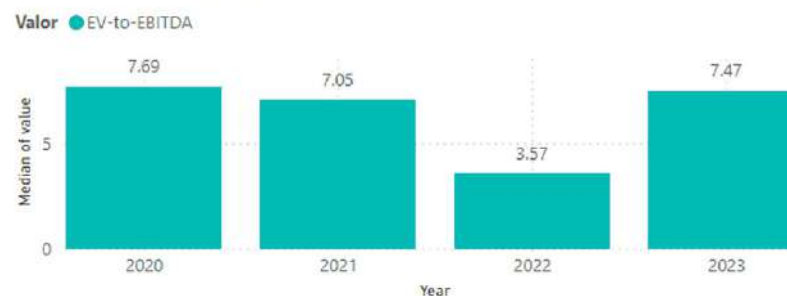
The **EV/EBITDA** multiple is a financial metric used to compare a company's enterprise value (**EV**) to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

In **2021**, similar to the **EV/Revenue** multiple, investor optimism about economic recovery led to a significant increase in the **EV/EBITDA** multiple, reaching **7.05x**. However, in **2022**, the multiple decreased to **3.57x**, suggesting a more cautious outlook from investors due to factors such as rising inflation and interest rates. As of **2023**, the multiple has shown a big recovery, coming back to levels similar to **2020**, indicating potential improvement in market sentiment.

Median Values



Median Values

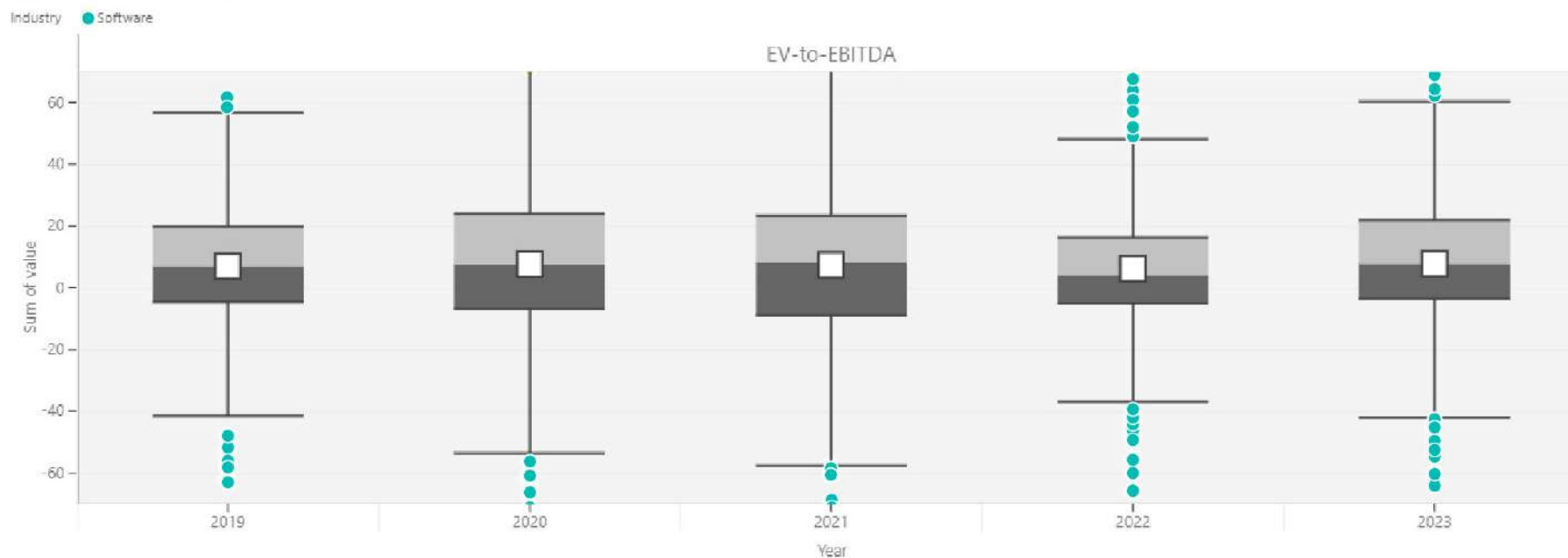


Multiple Valuation Analysis

(EV to EBITDA)

The analysis of the **EV/EBITDA** multiple shows that the level of concentration increased in 2022, from an **IQR of 32.41** in **2021** to an **IQR of 21.28** in **2022**. However, in **2023**, the concentration has increased again, with an IQR of **25.61**.

Descriptive Analytics



Multiple Valuation Analysis

(EV to EBIT)

The **EV/EBIT** multiple compares a company's enterprise value (**EV**), representing its total value including debt and cash, to its **EBIT** (earnings before interest and taxes), focusing on operating profitability before financing considerations.

In 2021 and 2022, the negative **EBIT** coming from the sector made the median value of the multiple fall to **-1.77x** and **-1.00x**. During the last year the multiple has been able to reach positive levels of **0.54x**, signaling a potential shift in investor sentiment or market conditions. Nevertheless, it has not yet regained the levels seen in **2019** and **2020**.

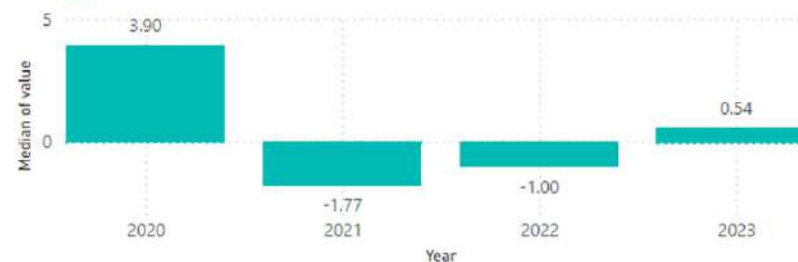
Median Values

Valor ● EV-to-EBIT



Median Values

Valor ● EV-to-EBIT



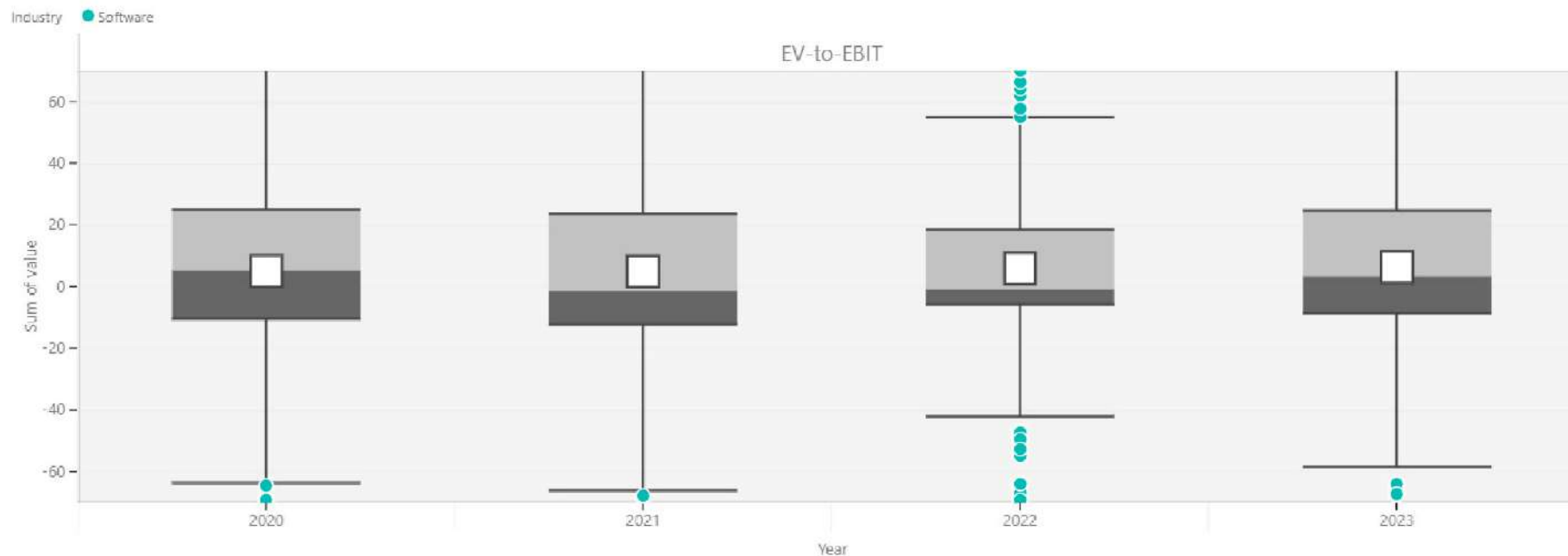
Multiple Valuation Analysis

(EV to EBIT)

Analysis of the **EV/EBIT** multiple reveals the high values of **IQR** seen during **2020**, **2021** and **2023** relate to a high level of variability seen in the sector's **EBIT**. The IQR seen during these years were **35.51**, **35.92** and **33.27** respectively.

2022's IQR dropped to **24.27** indicating a more

Descriptive Analytics

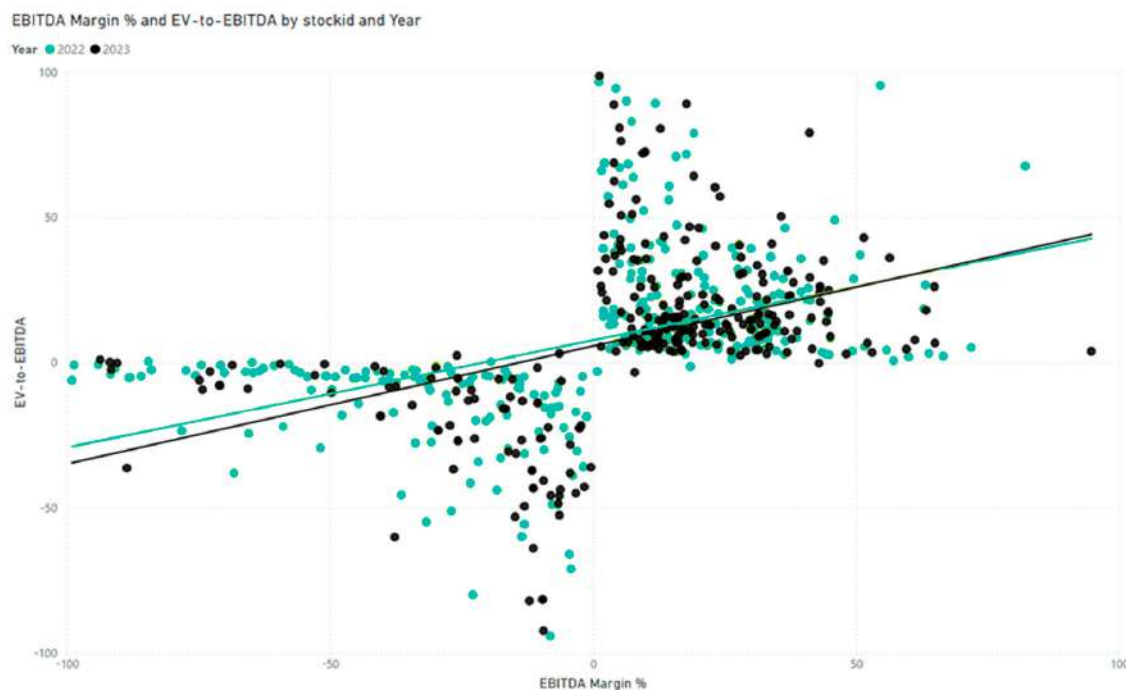


Financials vs. Multiples

EBITDA Margin vs. EV/EBITDA

During 2023, the impact of the margin (EBITDA/Rev.) on the EBITDA multiple (EV/EBITDA) **has grown significantly**, as can be seen in the steeper slope of the 2023 trend line over the 2022 trend line.

Investors are valuing profitability positively.



Rockstars

GDS Holdings Ltd.

Roper TECHNOLOGIES

Roper Technologies Inc. is a leading diversified technology company that designs and develops software (both software-as-a-service and licensed), and engineered products and solutions for a broad range of niche end markets.

Roper operates businesses that design and develop software (both software-as-a-service and licensed) and engineered products and solutions for a variety of end markets, including healthcare, transportation, food, energy, water, education, and more.

The company's diversified portfolio of market-leading businesses allows it to deliver exceptional customer value continuous innovation, and sustainable growth.

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------------|---------------|-------|-------|-------|
| Capex-to-Revenue | 0.01 | 0.02 | 0.01 | 0.03 |
| Cash Conversion Cycle | 39.18 | 35.20 | 37.94 | 41.48 |
| COGS-to-Revenue | 0.31 | 0.30 | 0.30 | 0.30 |
| Debt-to-Asset | 0.25 | 0.24 | 0.24 | 0.23 |
| EBITDA Margin % | 39.55 | 44.59 | 43.25 | 44.80 |
| FCF Margin % | 30.21 | 19.27 | 38.87 | 35.97 |
| Gross Margin % | 69.31 | 69.69 | 70.12 | 69.74 |
| Net Margin % | 19.26 | 23.83 | 22.21 | 24.11 |

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------|---------------|-------|-------|-------|
| EV-to-EBIT | 34.54 | 34.14 | 33.45 | 33.78 |
| EV-to-EBITDA | 23.87 | 23.91 | 23.46 | 24.20 |
| EV-to-Revenue | 9.43 | 9.77 | 9.73 | 10.43 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|-----------------------|-------|-------|-------|-------|
| Capex-to-Revenue | 0.01 | 0.01 | 0.01 | 0.02 |
| Cash Conversion Cycle | 85.06 | 52.90 | 42.17 | 43.03 |
| COGS-to-Revenue | 0.30 | 0.30 | 0.30 | 0.30 |
| Debt-to-Asset | 0.40 | 0.34 | 0.25 | 0.23 |
| EBITDA Margin % | 39.07 | 38.93 | 39.55 | 43.11 |
| FCF Margin % | 36.86 | 40.42 | 12.37 | 31.19 |
| Gross Margin % | 70.31 | 70.50 | 69.86 | 69.72 |
| Net Margin % | 23.61 | 23.84 | 84.60 | 22.41 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|---------------|-------|-------|-------|-------|
| EV-to-EBIT | 13.56 | 12.31 | 9.64 | 10.43 |
| EV-to-EBITDA | 34.70 | 31.62 | 24.36 | 24.20 |
| EV-to-Revenue | 50.50 | 47.01 | 35.11 | 33.78 |

Netcompany Group A/S

Intuit®

Intuit Inc. is a global technology company that specializes in financial software and services. Renowned for its flagship products like QuickBooks, TurboTax, and Mint, Intuit empowers consumers, small businesses, and self-employed individuals to manage their finances with ease and confidence.

Intuit's success is driven by its commitment to **customer-centric innovation** and leveraging advanced technologies such as artificial intelligence and machine learning to enhance user experiences. By providing intuitive and efficient solutions, Intuit helps its customers make smarter financial decisions, save time, and maximize their financial potential.

With a strong emphasis on sustainability, ethical business practices, and community engagement, Intuit not only seeks to drive financial prosperity for its users but also to create a positive impact on society and the environment. The company's continuous efforts to innovate and improve have solidified its position as a leader in the financial software industry, fostering long-term growth and shareholder value.

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------------|---------------|--------|-------|--------|
| Capex-to-Revenue | 0.02 | 0.01 | 0.01 | 0.03 |
| Cash Conversion Cycle | -72,27 | -68,81 | -81,3 | -62,76 |
| COGS-to-Revenue | 0.25 | 0.16 | 0.26 | 0.26 |
| Debt-to-Asset | 0.28 | 0.25 | 0.24 | 0.23 |
| EBITDA Margin % | 16.61 | 49.72 | 9.59 | 17.93 |
| FCF Margin % | 7.53 | 58.23 | 29.57 | -6.08 |
| Gross Margin % | 74.58 | 83.70 | 73.71 | 74.48 |
| Net Margin % | 5.52 | 34.68 | 3.28 | 8.09 |

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------|---------------|-------|-------|-------|
| EV-to-EBIT | 45.74 | 40.98 | 45.26 | 40.77 |
| EV-to-EBITDA | 34.98 | 32.43 | 36.24 | 33.28 |
| EV-to-Revenue | 9.08 | 9.05 | 10.20 | 9.68 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|-----------------------|--------|--------|--------|--------|
| Capex-to-Revenue | 0.02 | 0.01 | 0.02 | 0.02 |
| Cash Conversion Cycle | -71,94 | -91,26 | -85,35 | -72,28 |
| COGS-to-Revenue | 0.18 | 0.17 | 0.19 | 0.22 |
| Debt-to-Asset | 0.33 | 0.16 | 0.27 | 0.24 |
| EBITDA Margin % | 31.58 | 30.60 | 26.47 | 28.14 |
| FCF Margin % | 29.65 | 32.44 | 28.76 | 33.31 |
| Gross Margin % | 82.05 | 82.53 | 81.09 | 78.12 |
| Net Margin % | 23.78 | 21.41 | 16.23 | 16.59 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|---------------|-------|-------|-------|-------|
| EV-to-EBIT | 10.00 | 14.89 | 10.44 | 10.20 |
| EV-to-EBITDA | 31.66 | 48.65 | 39.44 | 36.24 |
| EV-to-Revenue | 34.79 | 55.48 | 50.65 | 45.26 |

ExlService Holdings Inc.

opentext™

OpenText Corporation is a global leader in Enterprise Information Management (EIM), offering a comprehensive suite of software solutions for managing and leveraging enterprise information. Their products include content management, business process management, and analytics, catering to industries like financial services, healthcare, and manufacturing.

OpenText provides both on-premises and cloud-based solutions, ensuring flexibility and scalability. The company invests heavily in innovation, incorporating technologies like AI, machine learning, and IoT to drive digital transformation for its customers.

Committed to customer success and sustainability, OpenText delivers reliable solutions that enhance operational efficiency and contribute to a sustainable future.

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------------|---------------|-------|-------|-------|
| Capex-to-Revenue | 0.03 | 0.02 | 0.03 | 0.03 |
| Cash Conversion Cycle | 8.07 | 4.99 | 9.69 | 10.28 |
| COGS-to-Revenue | 0.30 | 0.29 | 0.29 | 0.26 |
| Debt-to-Asset | 0.54 | 0.54 | 0.55 | 0.54 |
| EBITDA Margin % | 28.89 | 21.37 | 32.93 | 26.40 |
| FCF Margin % | 24.55 | 6.12 | 0.67 | 19.90 |
| Gross Margin % | 70.30 | 71.37 | 71.45 | 73.56 |
| Net Margin % | 4.62 | -3.27 | 5.68 | 2.45 |

| Year Quarter | 2023 Qtr 1 | Qtr 2 | Qtr 3 | Qtr 4 |
|-----------------|---------------|-------|-------|-------|
| EV-to-EBIT | 29.73 | 32.91 | 20.36 | 27.52 |
| EV-to-EBITDA | 15.84 | 15.50 | 10.77 | 12.14 |
| EV-to-Revenue | 4.82 | 4.29 | 3.47 | 3.31 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|-----------------------|-------|-------|-------|-------|
| Capex-to-Revenue | 0.02 | 0.02 | 0.03 | 0.03 |
| Cash Conversion Cycle | 38.56 | 32.56 | 14.13 | 6.82 |
| COGS-to-Revenue | 0.32 | 0.31 | 0.30 | 0.29 |
| Debt-to-Asset | 0.44 | 0.40 | 0.44 | 0.54 |
| EBITDA Margin % | 32.45 | 38.89 | 33.53 | 27.70 |
| FCF Margin % | 28.36 | 23.99 | 25.44 | 14.61 |
| Gross Margin % | 67.72 | 69.45 | 69.60 | 70.64 |
| Net Margin % | 7.53 | 9.17 | 11.37 | 3.35 |

| Year Valor | 2020 | 2021 | 2022 | 2023 |
|---------------|-------|-------|-------|-------|
| EV-to-EBIT | 4.61 | 4.78 | 3.69 | 4.29 |
| EV-to-EBITDA | 14.19 | 12.28 | 11.00 | 15.50 |
| EV-to-Revenue | 28.97 | 20.31 | 19.31 | 32.91 |

Latest IPOs / Listings

Nextracker



Nextracker, a leader in solar trackers, successfully debuted on the New York Stock Exchange on February 9, 2023. They raised \$638.4 million with a share price of \$24.00 per share under the symbol NXT. This achievement provides capital for expansion, increased visibility and credibility. Their success reflects confidence in the solar industry, underscoring its key role in a sustainable energy future.

Reddit Inc.



In 2023, **RUBICON Technologies Inc.** underwent a change in its listing status on January 4th. The company was removed from the Solactive US Small & Mid-Cap (SMID) Index because its market capitalization fell below the index's minimum inclusion requirements. Consequently RUBICON's shares will no longer be traded on the SMID Index, and its weight will be redistributed among the remaining index components.

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