SaaS Valuation 2012: What Price is Right?

Description: This Research Note provides updated valuation benchmarks and a revised SaaS valuation formula. It reviews key operating data, risks to SaaS valuations, equity market performance, and MGI's outlook for SaaS M&A. MGI Research's growth-based valuation approach to Software as a Service (SaaS) companies has received significant industry recognition and use. Five public SaaS acquisitions confirmed their SaaS valuation model last published in March of 2011. During 2011 and 1Q2012, SaaS companies maintained and even expanded the valuation premium gap to the rest of the software sector.

Although adoption of SaaS among business and IT buyers has grown meaningfully in 2011 and Q12012, production use indicates a very early stage of adoption. As the market matures, revenue growth remains the dominant valuation factor. Other SaaS valuation variables such as cash flow growth, expansion in GAAP profitability, and a premium for dominant market share are likely to gain prominence by 2014-2015.

This 23 page report provides a CEO, CFO, M&A team, or investor a comprehensive toolkit for establishing the valuation of a SaaS company - public or private. It includes a SaaS valuation formula, addresses key issues like deferred revenue, and it includes 24 tables and charts. Over 90 SaaS and enterprise software companies are analyzed and ranked according to valuation parameters, profitability, and their MGI score. 5 major SaaS acquisitions in 2011 and early 2012 confirmed the accuracy of the MGI SaaS Valuation formula.

Contents:
- SaaS Valuation Formula
- How to value a SaaS company?
- How to value SaaS companies at different stages of development?
- Current SaaS Valuation Benchmarks
- How multiples have evolved over the last 12 months and what is the outlook?
- SaaS Valuation Drivers
- What determines valuation multiples for SaaS companies?
- Rankings Analysis and Tables
- Valuation: The most and least valuable SaaS companies
- Growth: Fastest andslowest growing software companies
- Profitability: Most and least profitable
- Efficiency: Most and least efficient/ Best operating execution
- SaaS M&A Outlook
- Who are the potential SaaS M&A targets?
- Valuation Risks
- What are the risks to the SaaS valuation multiples?
- How does salesforce.com performance impact the valuation of every SaaS company?
- Deferred Revenue Analysis
How do SaaS companies compare to Enterprise Software firms in terms of deferred revenue growth?

When is a big pile of deferred revenue not a positive?

Growth and Profitability in SaaS

Who are the fastest growing SaaS companies and how does that growth compare to Enterprise Software firms?

How does profitability affect valuation multiples?

Stock Market Performance

Leaders and laggards

Includes numerous charts and tables with detailed data on SaaS and Enterprise Software companies.

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