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Strategy& B2B SaaS Publication 2024

November, 2024

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Executive summary

Nordic B2B SaaS players are attractive investment targets, with new companies frequently entering the space

B2B SaaS provides strong value propositions, attractive business models and substantial growth opportunities.

Nordic companies have a significant presence in the space, and multiple Nordic B2B SaaS transactions have been made in recent years. Additionally, new companies are continuously arising.

Norwegian B2B SaaS companies are typically quite specialized and target mid-market and enterprise customers

Norwegian B2B SaaS companies are typically specialized towards a business function (e.g. HR) and/or industries (e.g. maritime)

They often highlight mid-market and enterprise customers as their primary customer segments. In these segments (as opposed to SMB), proximity, customer service and adaptation to client-specific needs serve as critical differentiators against global competitors.

Strong financial performance¹ among Norwegian companies, with 2020-2023 average revenue growth of 21% and EBITDA-margins of 12%

As much as 45% of the surveyed companies (N=55²) satisfy the rule of 40 criteria, and 74% are EBITDA-positive.

Growth expectations for 2024 are down by 3ppts to 19% (from 22%), likely driven by a more challenging macroeconomic environment, in particular affecting the company's ability to attract new customers.

Looking ahead, surveyed companies will focus on customer acquisition and new growth opportunities, and anticipate increased use of AI

Looking forward, companies are focused on acquiring new customers, as this is considered a key challenge. For early-stage companies, this will be supported by continued development of core products. Meanwhile, larger companies seek growth through new products and geographies.

B2B SaaS companies are anticipating increased use of AI over the next 3-5 years, particularly for product development and –capabilities, and BI and reporting.

Introduction and table of contents



Context

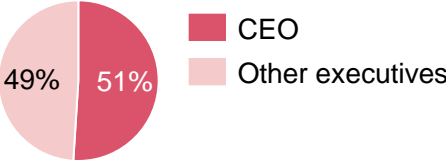
The B2B SaaS market is continually growing, with new companies frequently emerging to address the changing needs of businesses. This sector attracts investors due to its **strong value proposition, attractive business model and significant market opportunities**.

Strategy& have identified and analyzed 250+ Norwegian B2B SaaS companies¹ on their functional targeting and financial performance. To gain further insight into the current performance and outlook of the Norwegian B2B SaaS market, **we have asked 55 executives** about their company's financial performance, operational KPIs, strategic challenges and main priorities moving forward.



Role of respondents

The survey respondents primarily consist of C-level executives holding key strategic and financial roles



Market presence of respondents

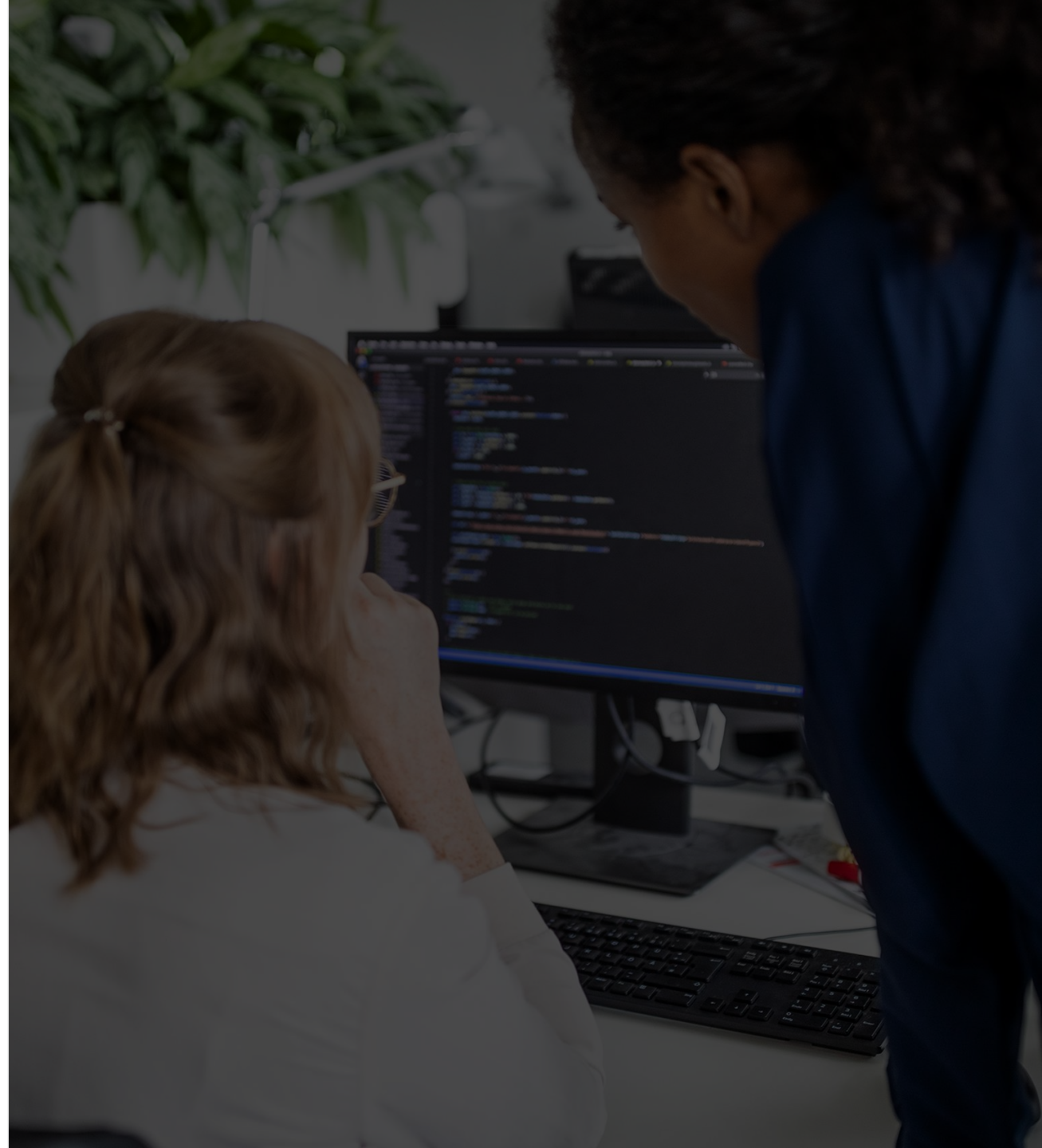
The surveyed companies are mostly headquartered in Norway. However, we have also included companies from other Nordic countries with a significant market presence in Norway.



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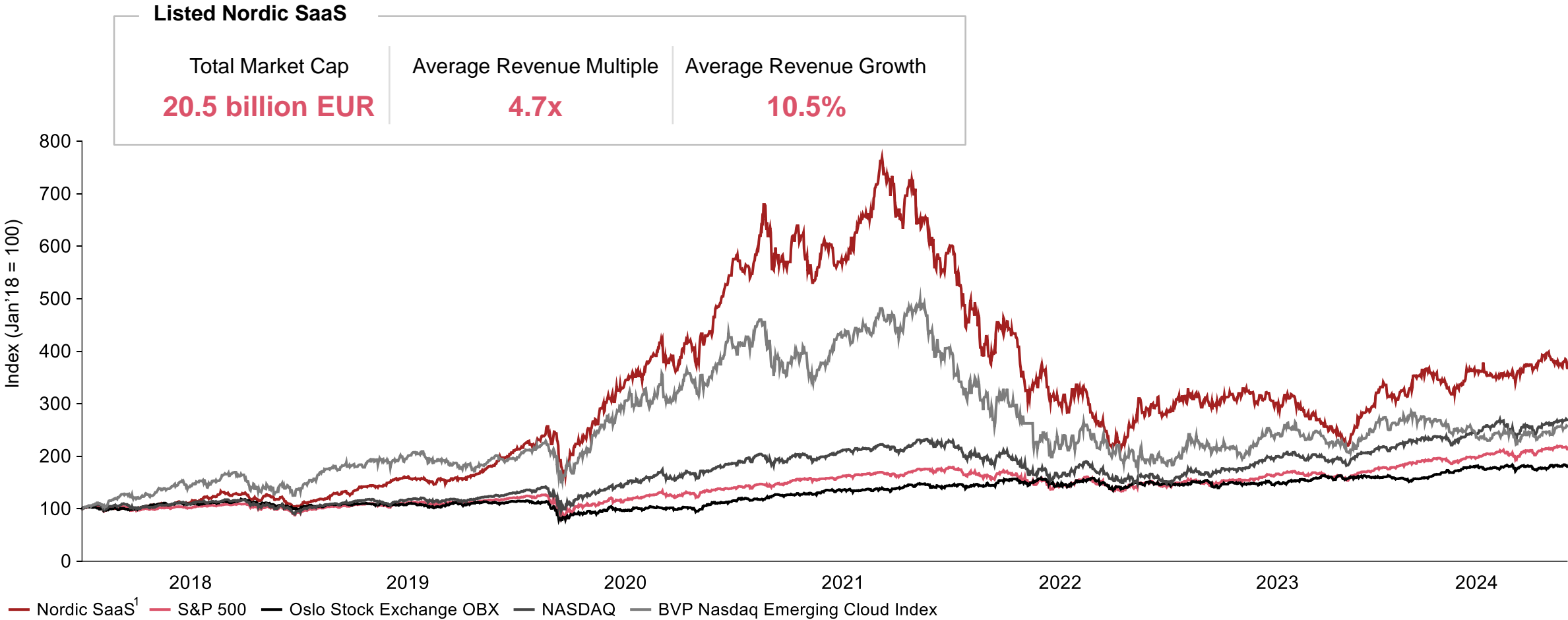
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Introduction to Nordic B2B SaaS



Nordic SaaS has outperformed other sectors in the long run, despite the 2022 valuation correction

Listed Nordic SaaS companies (total return) vs. common indices (Jan'18 to Oct'24)



The emergence of B2B SaaS is driven by an attractive value proposition and business model, coupled with strong market opportunities

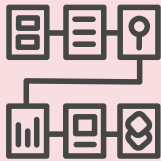
B2B SaaS – why is it so interesting for investors?

Constant wave of B2B SaaS companies reflecting evolving needs of businesses



Businesses are undergoing a **digital transformation** to stay competitive and efficient

B2B SaaS play a pivotal role in this transformation, offering solutions to enhance operational processes, efficiency and collaboration



250+

Strategy& has identified **250+ B2B SaaS companies in Norway** with revenue > 3m EUR

Strong value proposition enabling increased efficiency and cost savings

B2B SaaS streamline business processes by **optimizing workflows**, **automating repetitive tasks**, and improving overall efficiency, leading to time savings and **higher productivity at lower cost**

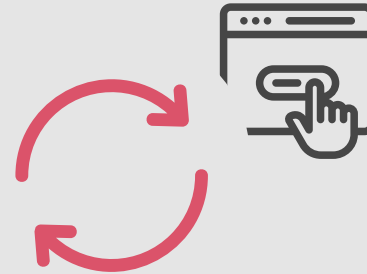


Reporting and analytics can help **leverage insights** to make informed decisions and optimize strategies



Attractive, recurring and scalable business model with potential high margins

Subscription-based model yields **predictable and recurring revenue streams**

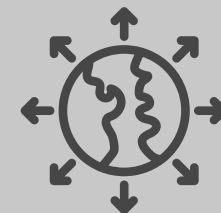


Strong economies of scale for mature companies – limited additional R&D or G&A costs for each new customer, **enabling high margins**



Strong, growing market opportunities with potentially global reach

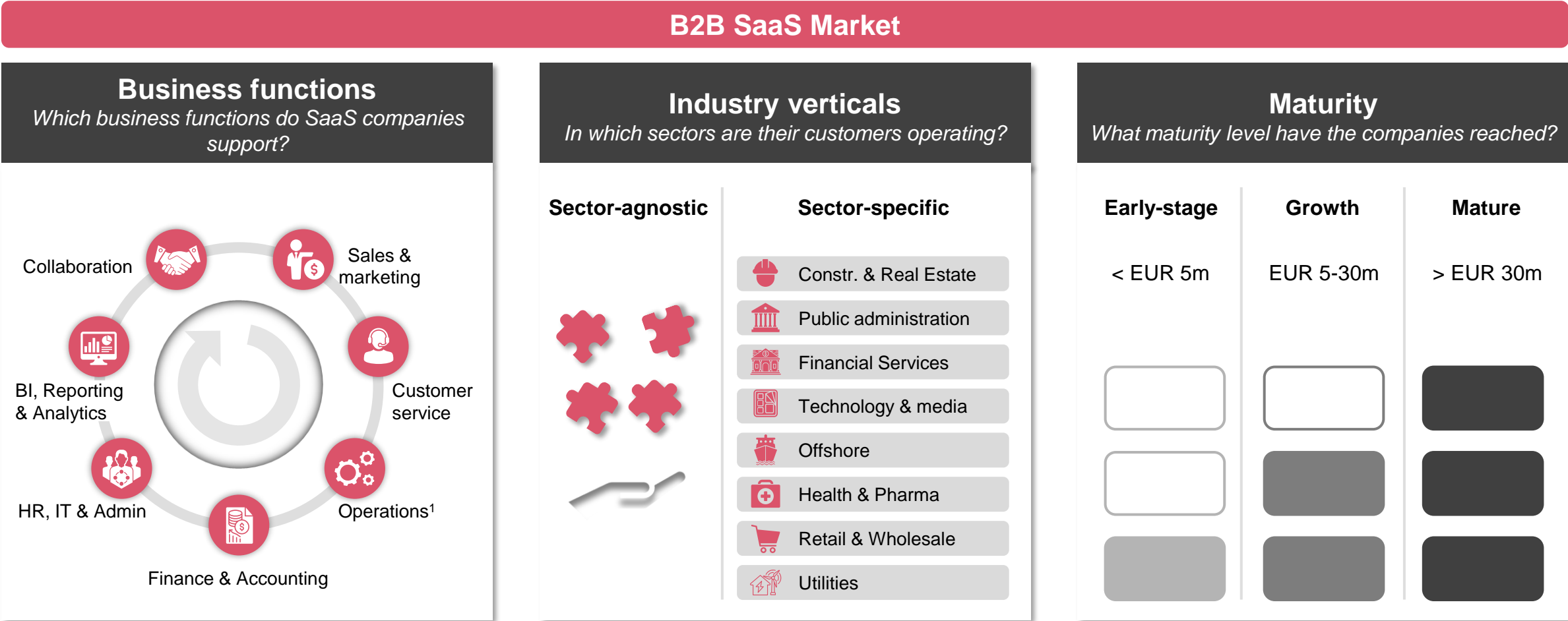
Large and growing markets, often with significant adoption increase potential



Companies can reach customers on a **global scale**, presenting an opportunity for rapid expansion and revenue growth








Strategy& segments B2B SaaS companies by target customer business functions, verticals and company maturity

Strategy& B2B SaaS categorization



































There is a significant presence of Nordic companies with strong market positions across all B2B SaaS categories

Selected global B2B SaaS category leaders and Nordic market leaders

	 Sales & Marketing	 Customer Service	 Operations	 Finance & Accounting	 IT, HR and Admin	 BI, Reporting & Analytics	 Collaboration
Global category leaders	Salesforce Shopify Hubspot	Zendesk Twilio Intercom	Microsoft SAP Oracle	Netsuite Paypal Intacct	Workday BambooHR ServiceNow	Power BI Qlik Tableau	Slack Zoom Asana
Selected Nordic market leaders	SuperOffice Sitecore Optimizely Voyado Lime Technologies	Puzzel Sinch Teleopti Trustpilot Simplifai	Easypark Volue nShift Navtor StormGeo	Visma Pagero Fiken Xledger Tripletex	Planday Simploer CatalystOne Sympa Outpost24	Infront Macrobond Cognite Spacemaker Forsta	Kahoot! Mentimeter Mintra Group Pexip Whereby










There is strong financial performance in multiple B2B SaaS categories in Norway – average '20-'23 growth of 21%

Financial performance for selected Norwegian B2B SaaS companies, 2023

Business function	Key performance metrics				Key insights
	Revenue ¹ , EURm	CAGR, '20-'23 ²	EBITDA%	# companies	
 Sales & Marketing	 286	17% 	~3%	 27	<ul style="list-style-type: none"> Norwegian players have experienced strong growth the last period, but are highly cyclical with high risk of churn
 Customer Service	 73	18% 	~4%	 6	
 Operations	 2 488	21% 	~14%	 124	<ul style="list-style-type: none"> Normally industry-specific, as operations-solutions typically require more tailored solutions
 Finance & Accounting	 776	18% 	~12%	 25	<ul style="list-style-type: none"> Country-specific barriers reduce international competition Multiple Norwegian companies with market leading positions in the Nordics (e.g. Visma and Vipps)
 IT, HR & Admin	 728	15% 	~17%	 47	<ul style="list-style-type: none"> Services requiring lower amount of sector-specific adaptation, value-added features such as analytics and criticality of services allow for higher margins
 BI, Reporting & Analytics	 408	18% 	~2%	 12	<ul style="list-style-type: none"> Nordic players are typically industry-specific and provide analytics capabilities of both external and internal data
 Collaboration	 406	34% 	~7%	 21	<ul style="list-style-type: none"> High growth strongly driven by Kahoot! Relatively low churn due to large number of onboarded users and user-generated data
 Total	 5 164	21% 	~12%	 262	

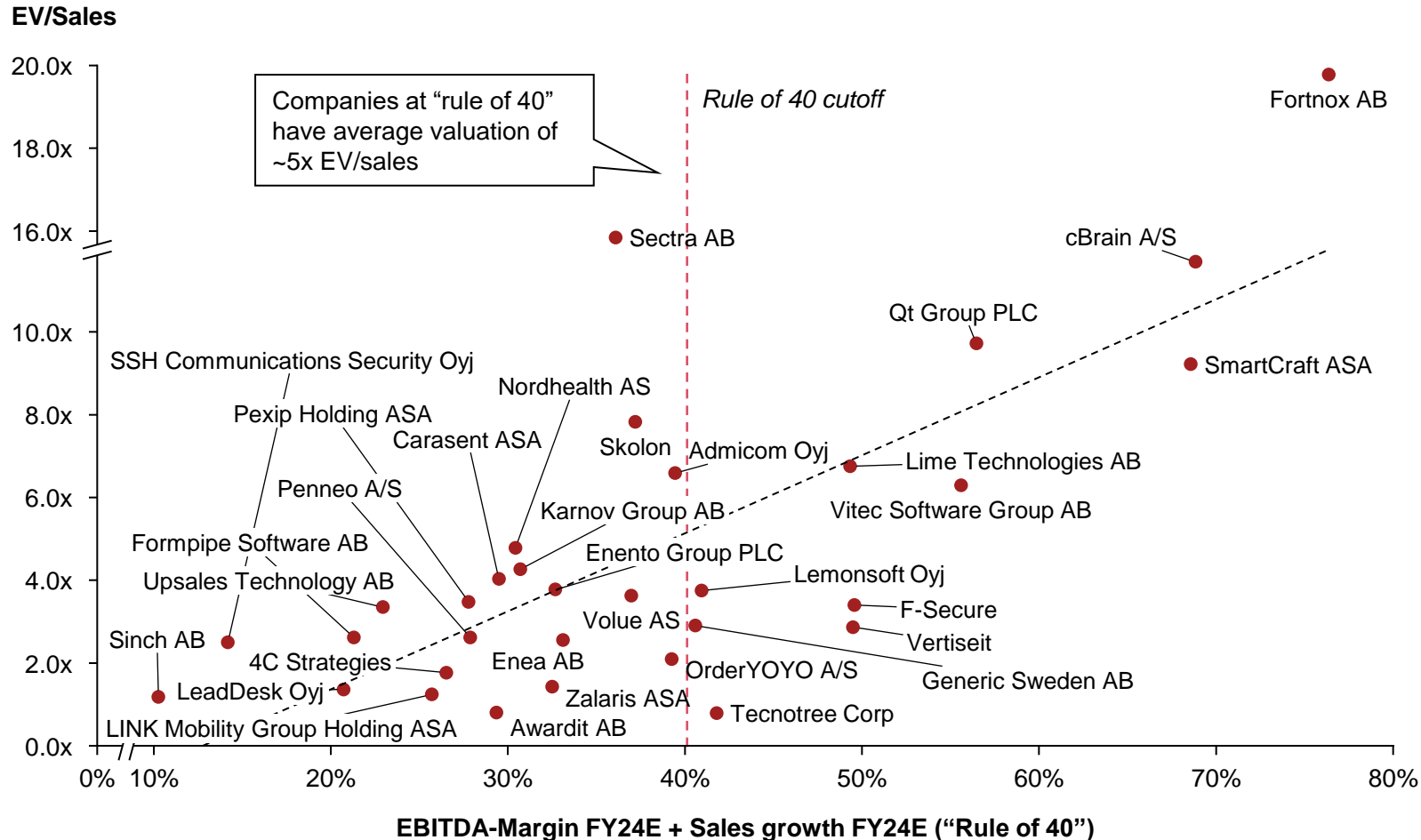
The large number of attractive Nordic B2B SaaS companies have resulted in multiple transactions within recent years

Selected recent Nordic B2B SaaS transactions

Target	HQ	Description	Acquirer	Seller	Date	Revenue FY23, EURm	EBITDA% FY23
Benify		Web-based app and platform for employee benefits	Zellis Holdings Ltd	Vitruvian Partners LLP	Sep 2024	64.7	9.5%
Bannerflow¹		Cloud-based platform for HTML5 creation and management	Tenzing PE Ltd	Founders	Jul 2024	18.5	19.5%
Sensio		Smart health monitoring solutions for elderly and social care settings	Nordic Capital Svenska AB	Longship AS	Jul 2024	40.5	23.0%
Accountor		IT environments and infrastructures, datacentres, and digital lifecycle services	KKR & Co Inc	Vitruvian Partners LLP	Jul 2024	285.0	20.7%
Next One Technology		Operating systems for service industries and construction	Adelis Equity Partners AB, EQT AB	Monterro Software Investment AB	Des 2023	12	(5.9%)
Acos		IT consulting and services for archive software	Visma AS	Founders	Aug 2023	27.0	26.5%
Kiona²		Proptech-platform integrating data from various sources	Carel Industries SpA	Summa Equity AB	Jul 2023	8.9	6.9%
Macrobond		Automated data insight	Francisco Partners Management LP	Nordic Capital Svenska AB	Jul 2023	31.3 ³	38.2% ¹
Kabal		Logistics management software for oil & gas operators	Insight Venture Management LLC	Norvestor Equity AS	May 2023	20.1	57.9%

There is a strong correlation between Rule of 40 and trading multiples for SaaS companies

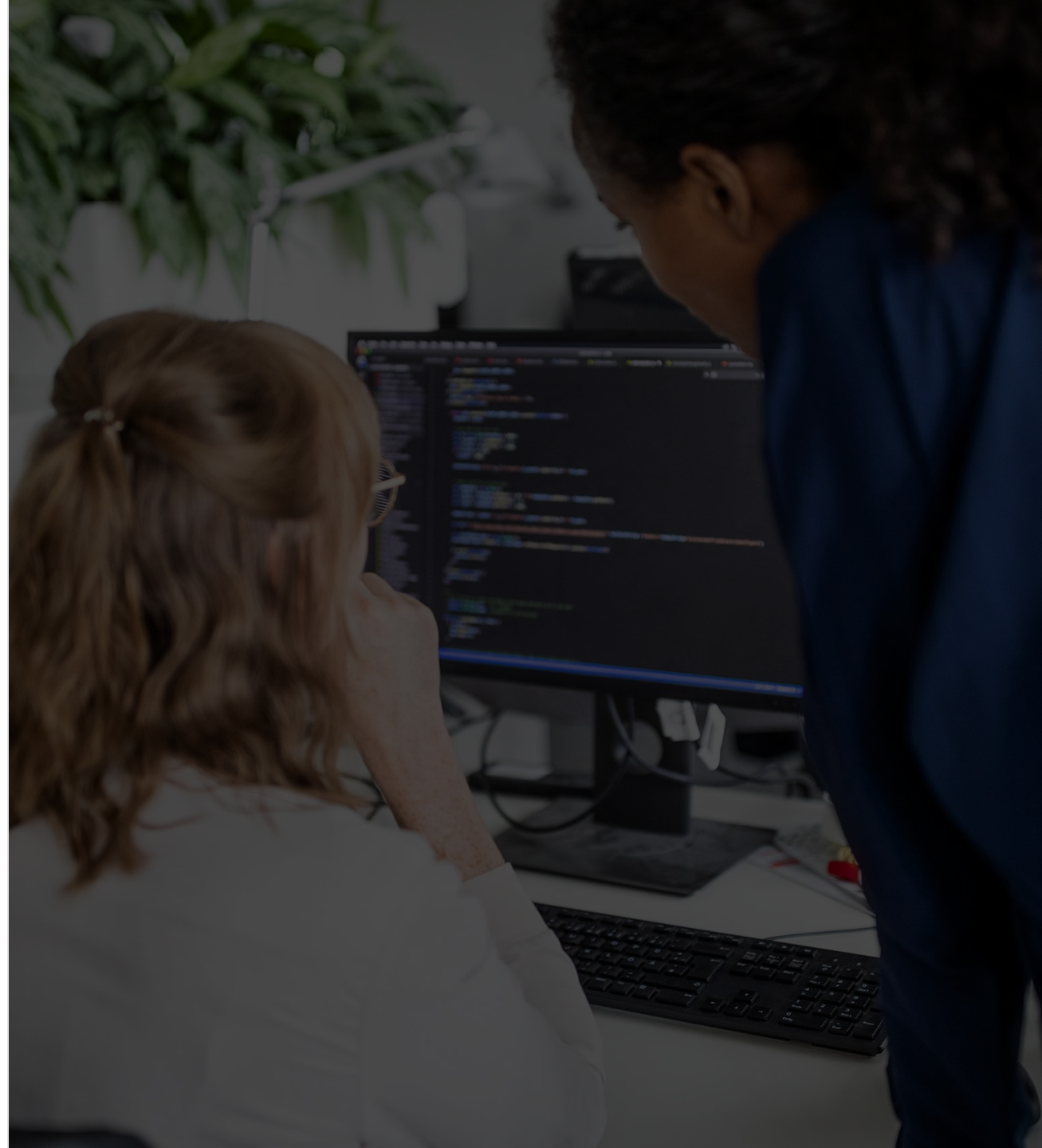
Valuation of selected listed Nordic B2B SaaS by EV / Sales, and EBITDA margin + Sales growth



Key insights

- The market pricing of SaaS companies generally has low correlation with traditional valuation metrics such as EV/EBITDA
 - The main reason for this is that even the SaaS companies with the best unit economics normally will have low or negative EBITDA when they are in a growth phase where they typically invest a lot in acquiring new customers
- There is strong correlation between "Rule of 40" (Sales growth + EBITDA margin ≤ 40) and trading multiples for SaaS companies
 - While low profitability can weigh negatively to investors, sales growth is a stronger driver of higher valuation than EBITDA
 - The relationship is especially strong for companies in the same stage in terms of growth/profitability tradeoff
- Customer acquisition cost (sales & marketing) typically has a payback time of more than 12 months, leading to short term "cash burn" when investing in growth

Company profiling



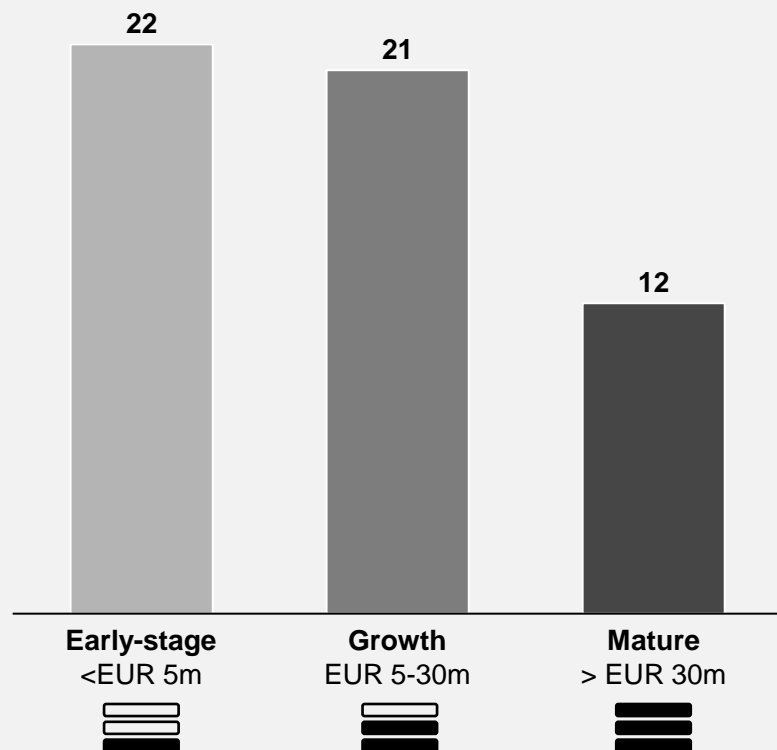


Most Norwegian B2B SaaS companies are specialized towards specific business functions and industry verticals

Survey respondents stats

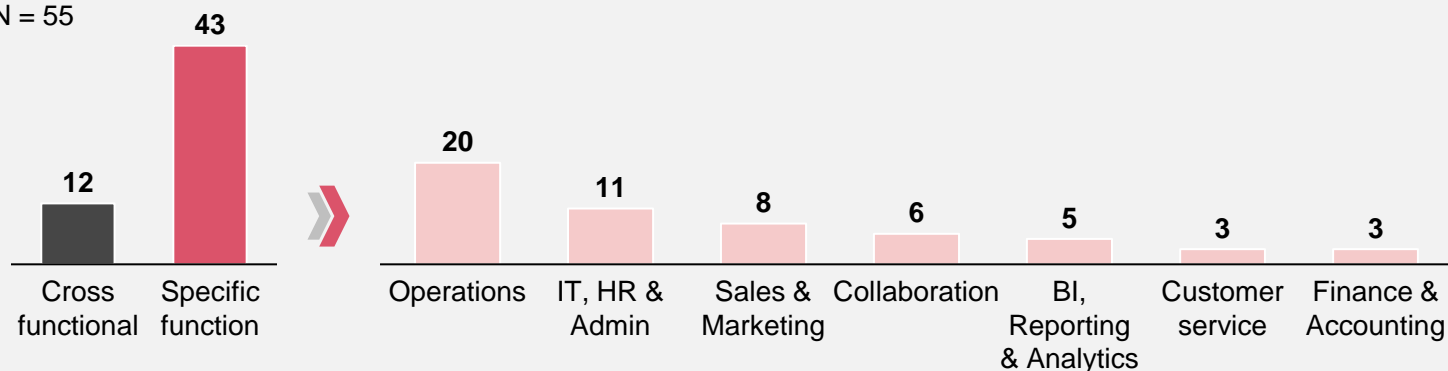
Survey respondents by revenue size

Question: What was your company's total revenue in 2023?
N = 55

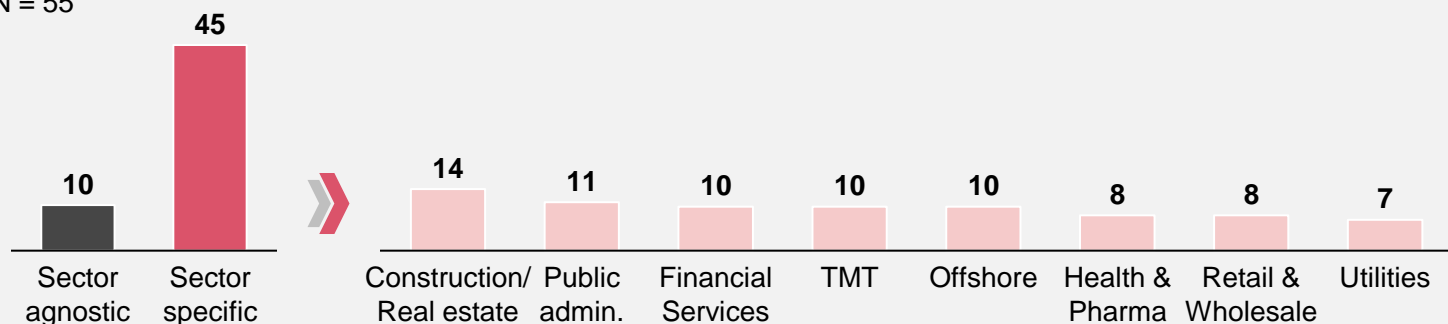


Survey respondents by target business function and industry vertical

Question: Which corporate business functions are the main users of your software? (Select up to 3)
N = 55



Question: Is your software targeting customers from a specific industry vertical? (Select up to 3)
N = 55





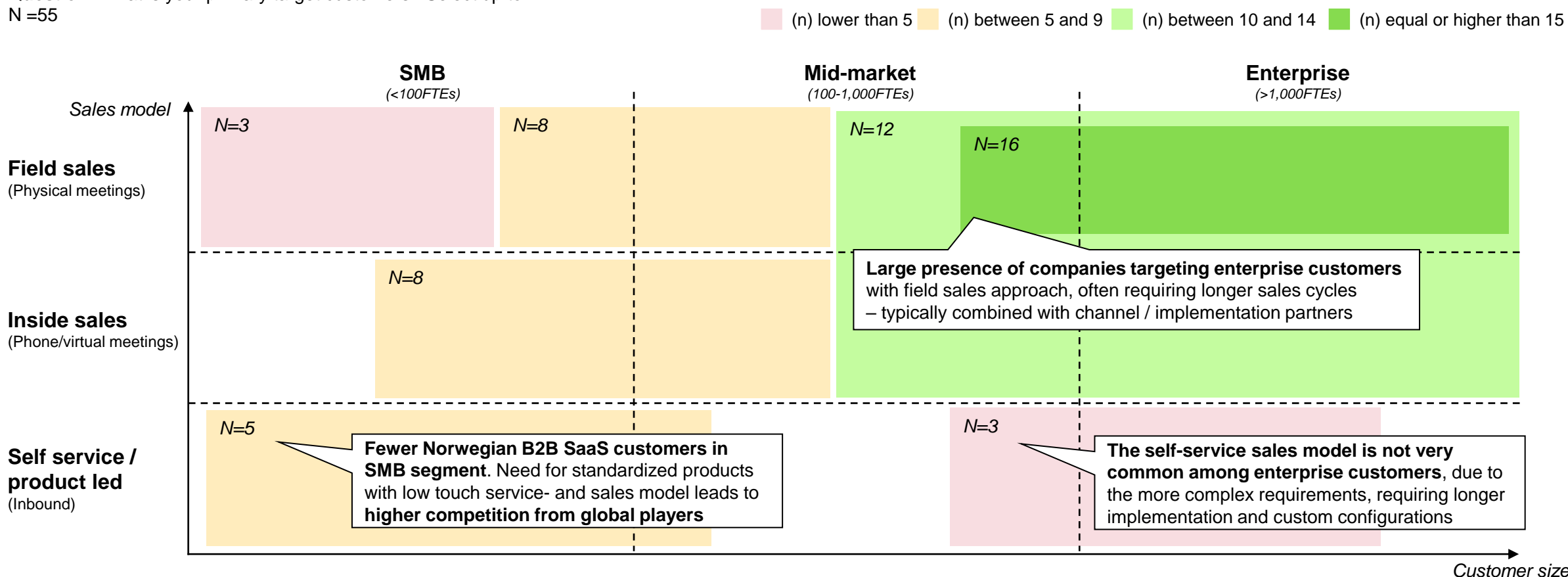
A significant share of Norwegian B2B SaaS companies target enterprise and mid-market customers with a field sales approach

B2B SaaS sales model and target customers

Question: What is your primary sales model(s)? Select up to 2

Question: What is your primary target customers? Select up to 2

N = 55



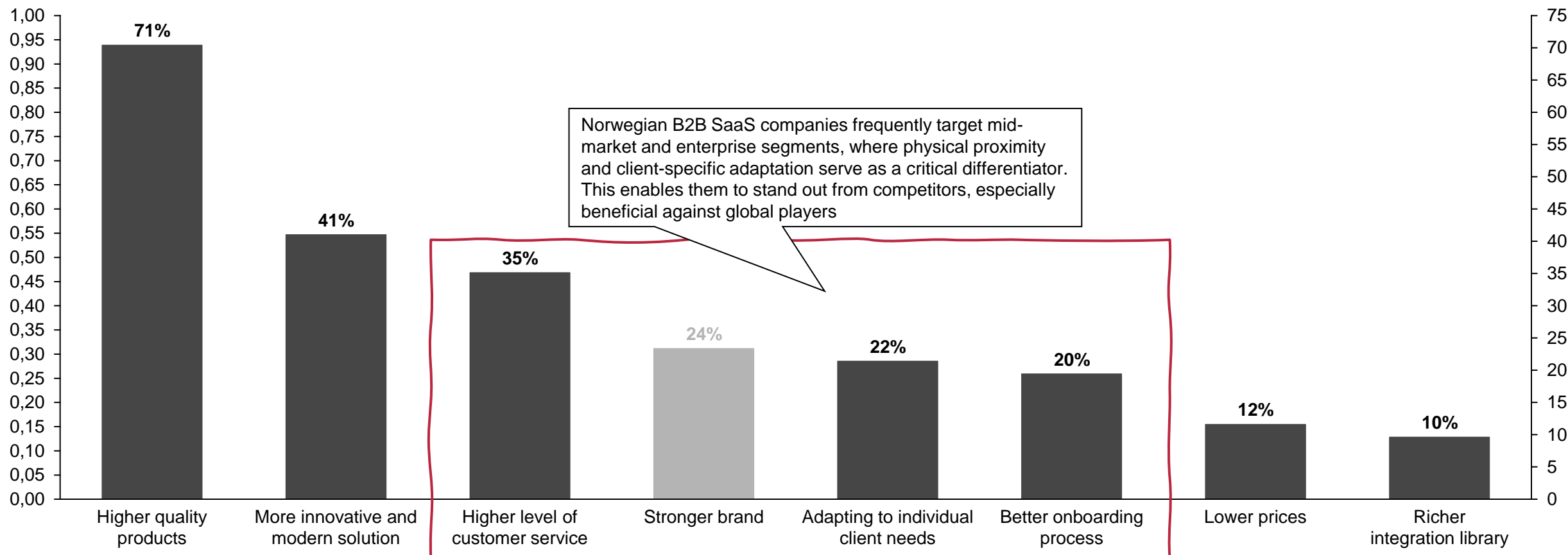


Higher quality products and higher customer service are highlighted by respondents as areas where they stand out from competitors

Competitive advantage and differentiation

Question: Where do you believe you stand out from your competitors? (Select up to 3)

Y Axis





All respondents are fully or partly in the cloud – Offshore, utilities and public sector have the largest deployment of hybrid cloud/on-premise

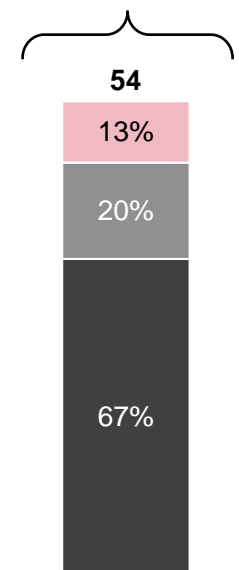
Survey respondent sectors and software deployment

Question: What is your software deployment model?

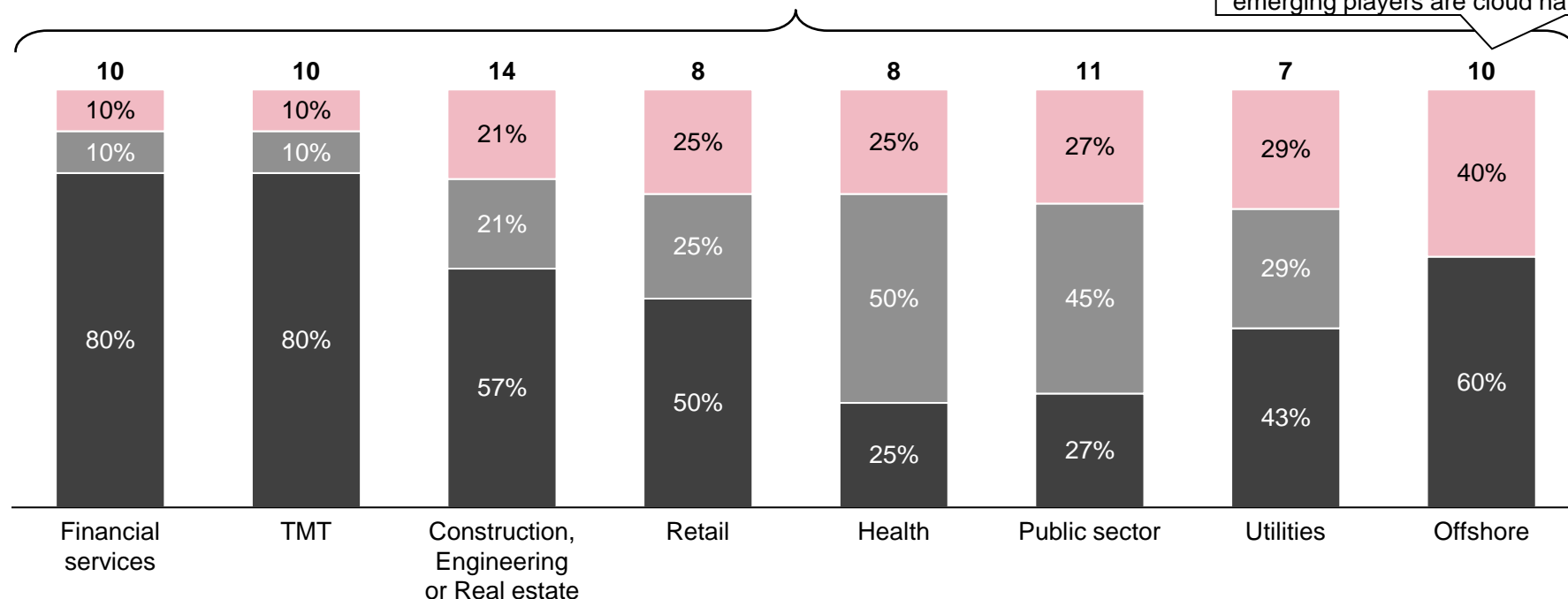
n =54

■ Cloud (Cloud native) ■ Cloud (Migrated solution) ■ Hybrid solution (Cloud+On-premise)

All respondents

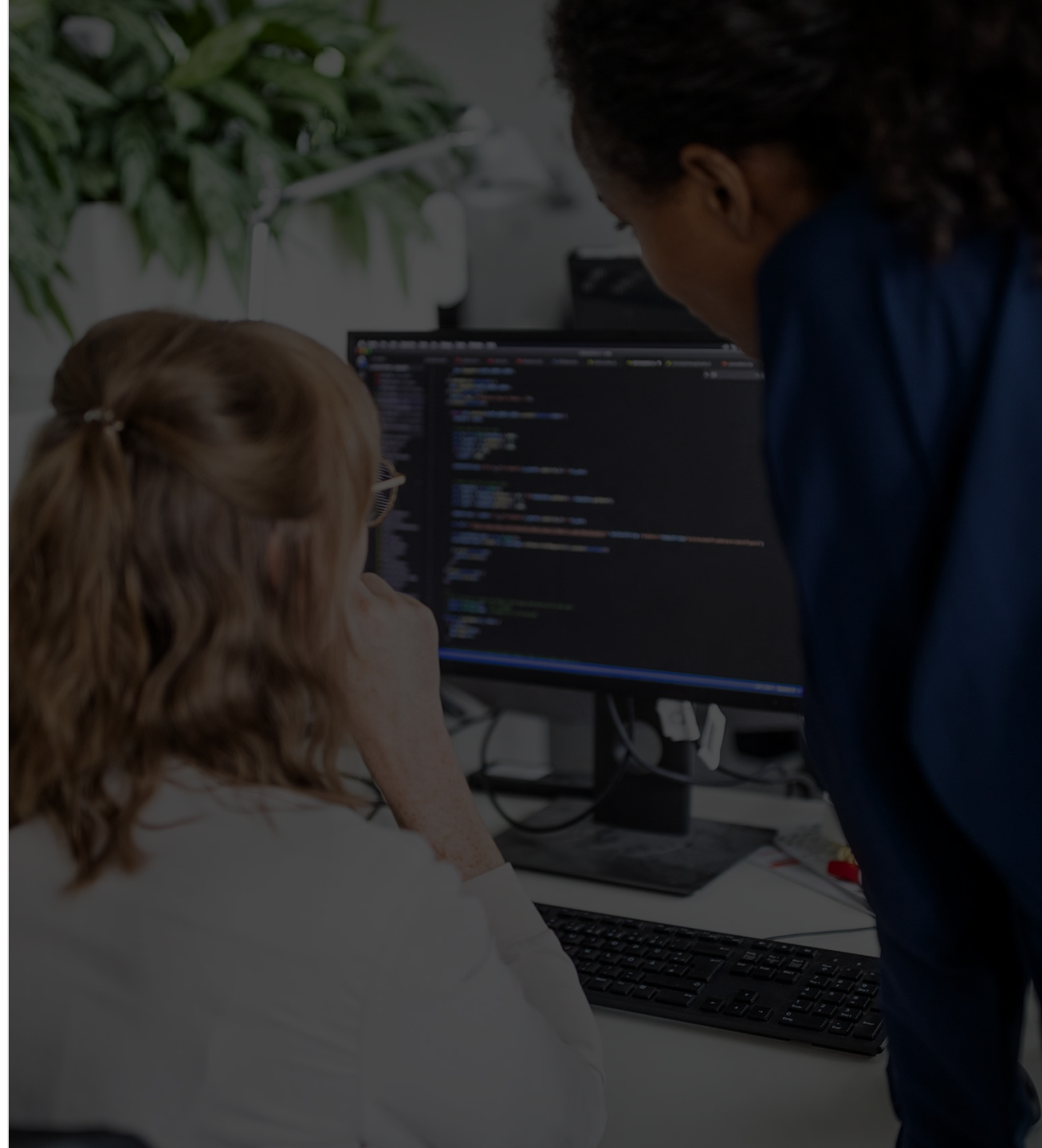


Sector exposure (multiple sectors possible)



Legacy maritime software players are running on hybrid solutions or in a cloud migration process, while emerging players are cloud native

Financial & operational performance





Average organic growth was 22% and EBITDA margin was 15% in 2023 – 45% of companies satisfy the Rule of 40 criteria

Financial performance – Revenue growth ('23) vs. EBITDA-% ('23) by company size brackets

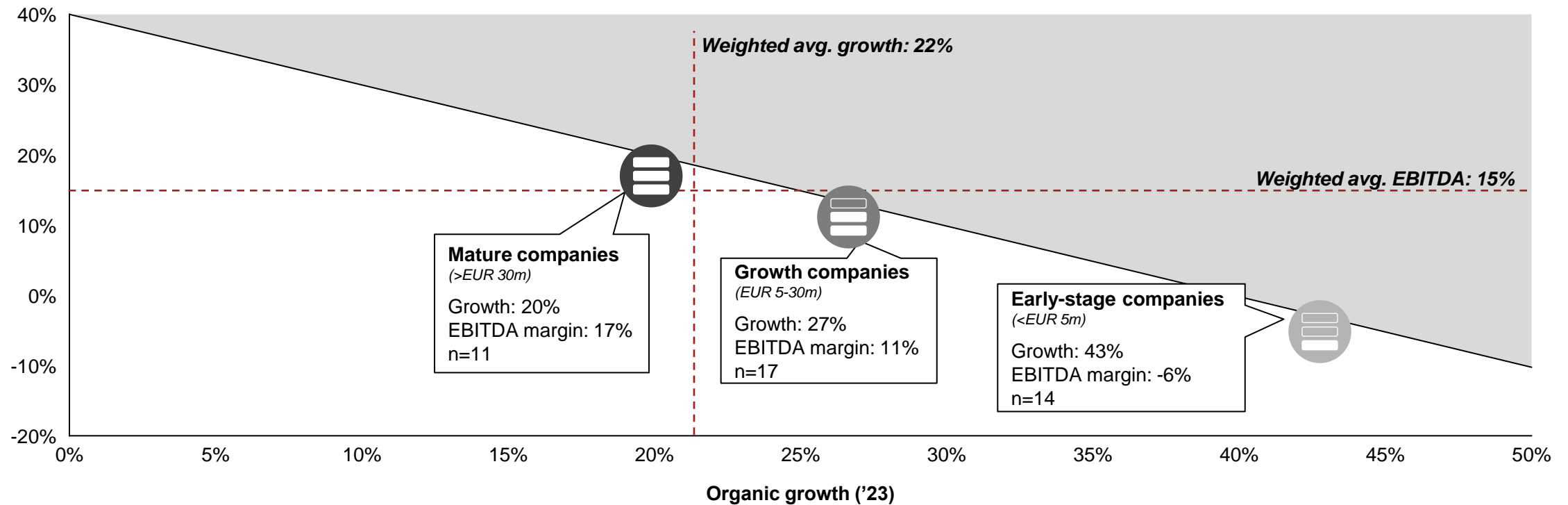
Question: What was your organic growth in 2023?

Question: What was your EBITDA margin in 2023?

n =42

Rule of 40¹: 19 companies

EBITDA-margin ('23)





The macroeconomic climate impacts short-term growth expectation – respondents expect lower growth rate in 2024, compared to 2023

Latest and forecasted organic annual revenue growth¹ (2023A, 2024E) by company size brackets

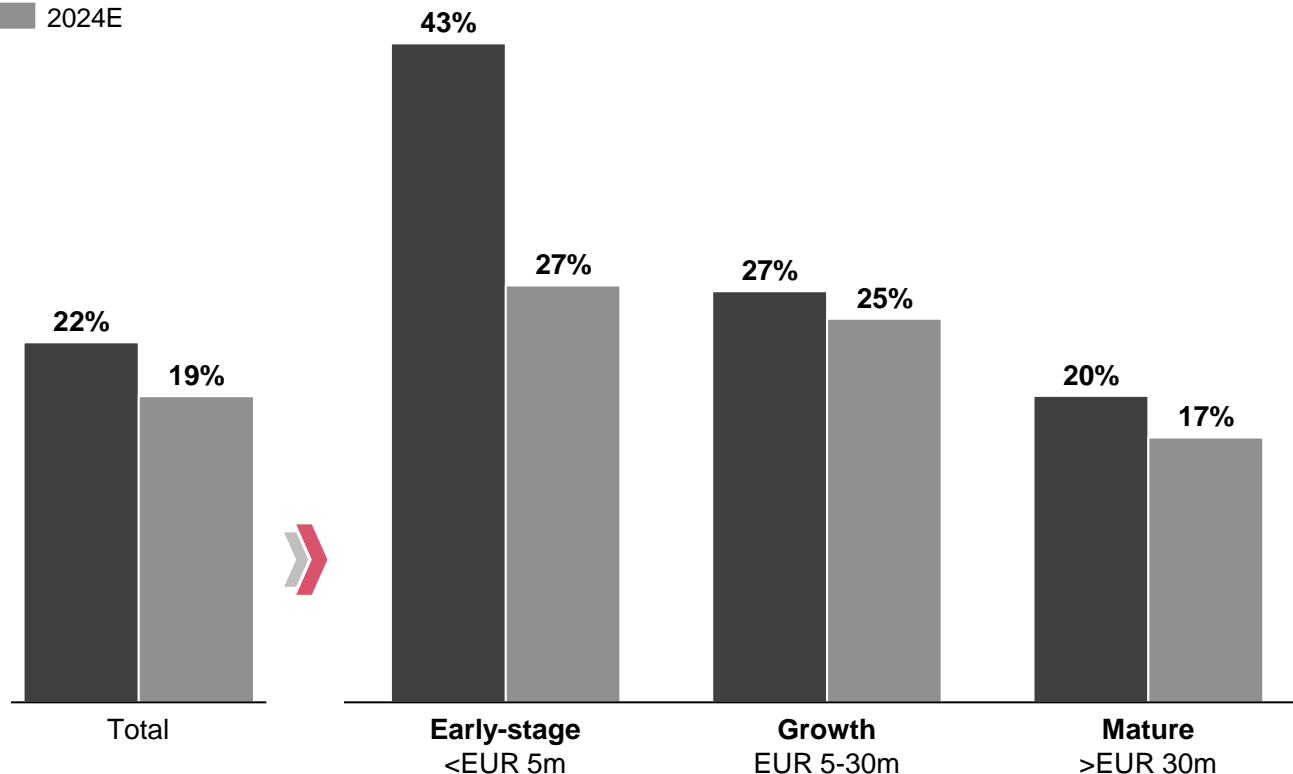
Question: What was your organic revenue growth in 2023?

Question: What do you estimate your company's organic revenue growth to be in 2024?

n =42

2023A

2024E



Why are growth expectations lower for 2024 vs. 2023?

In Norway, the macroeconomic climate is challenging with higher than normal inflation- and interest rates, putting pressure on costs and profitability. Job vacancies have also been trending down since Q2/Q3 2023, indicating lower recruitment needs and growth expectations among Norwegian organizations.

In line with the larger macroeconomic picture, **B2B SaaS companies are experiencing more challenging markets**, and surveyed companies expect lower revenue growth in 2024 compared to 2023 (-3ppt). Management of surveyed companies highlight **acquiring new customers** as a key challenge in today's market, likely due to budget cuts across Norwegian organizations.

Despite this, **the growth outlook remains attractive at 19%. The B2B SaaS market is very resilient**, with strong performance and growth across the existing customer base. This is driven by continued product development and a strong customer value proposition, enabling price increases and customer upsell.

Longer-term macroeconomic outlook is positive, with the interest policy rate expected to come down below 3% in 2027 (from 4.5% today). This is likely to provide an even better growth outlook for Norwegian B2B SaaS companies over the next 3-5 years.



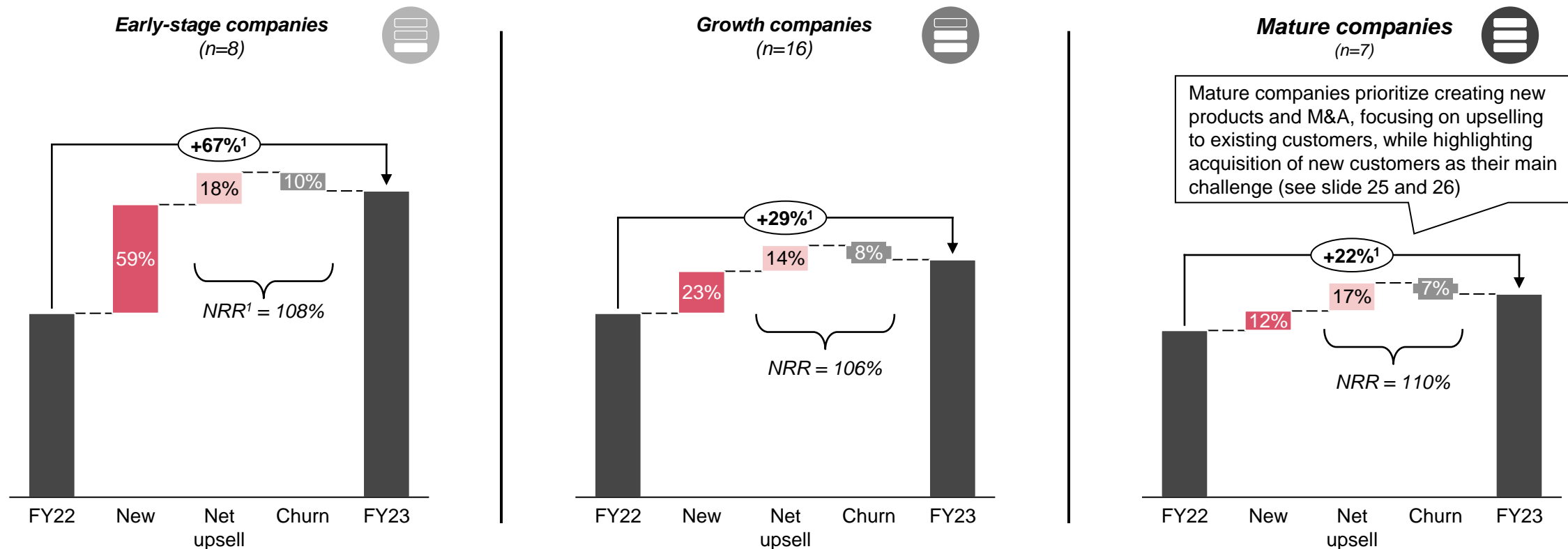
Strong growth and customer retention metrics – mature B2B SaaS companies with a larger share of growth from existing customers

B2B SaaS revenue growth bridge by company size

Question: What was your net retention rate, churn rate, and organic growth in 2023?

n =31

Weighted average ■ Index=100 ■ New ■ Net upsell ■ Churn



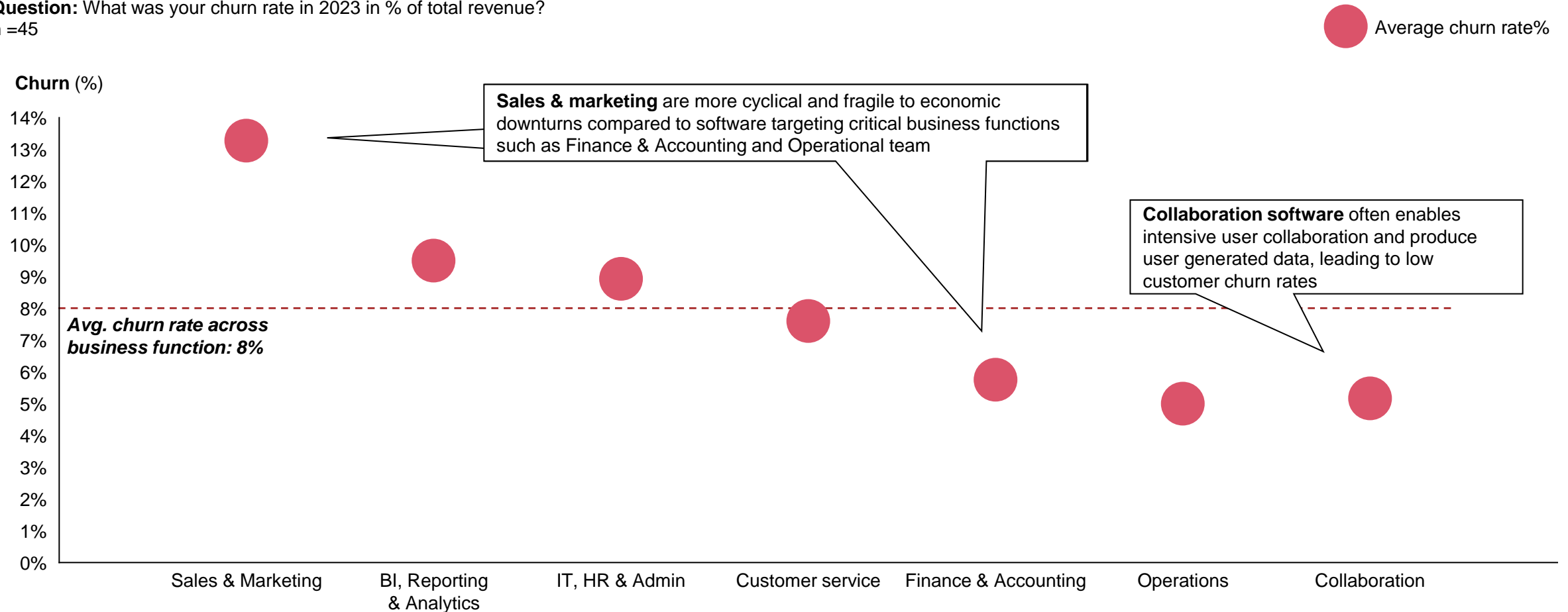


Lowest churn for companies with customers in critical business functions – Finance & Accounting, Operations and Collaboration

Customer churn by target business function (%)

Question: What was your churn rate in 2023 in % of total revenue?

n =45





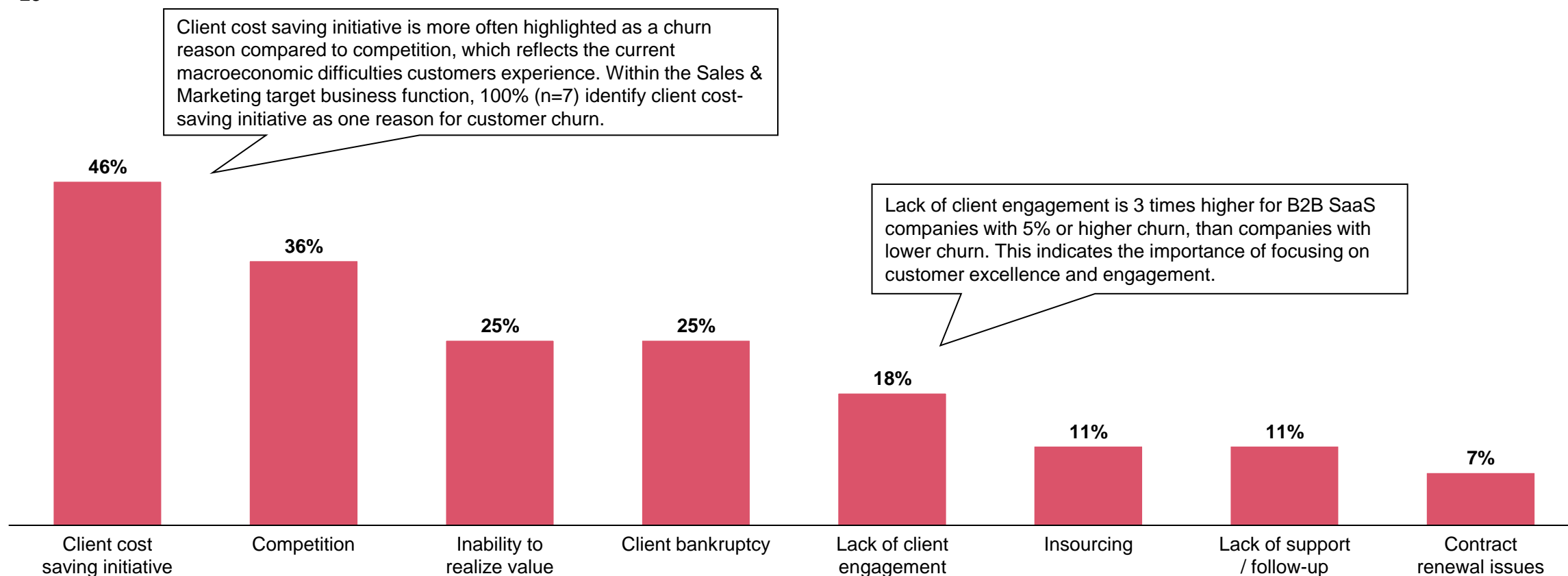
Client cost saving initiatives and competition are highlighted by Norwegian B2B SaaS companies as the main reasons for churn

Reasons behind churn

Question: What are the main reasons for your customer churn? (Multiple selection)

Subset: Customer churn equal to 5% or higher

n = 28



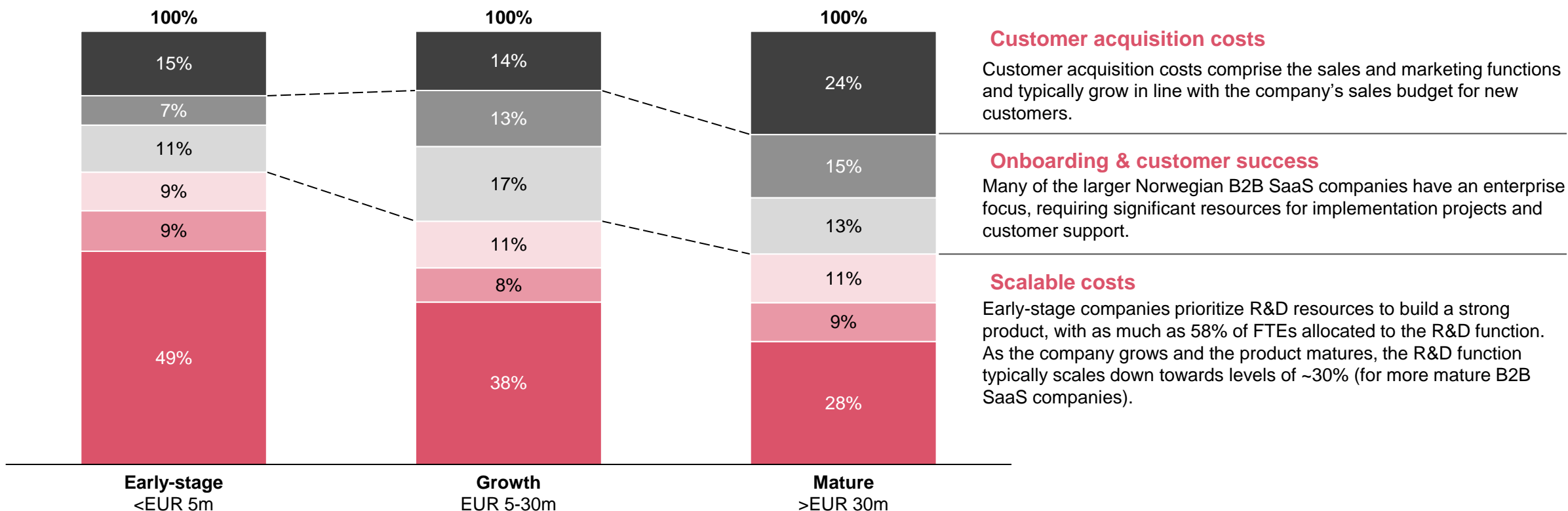


Sales and customer-facing business functions typically grow with company size to support expansion, whereas R&D is highly scalable

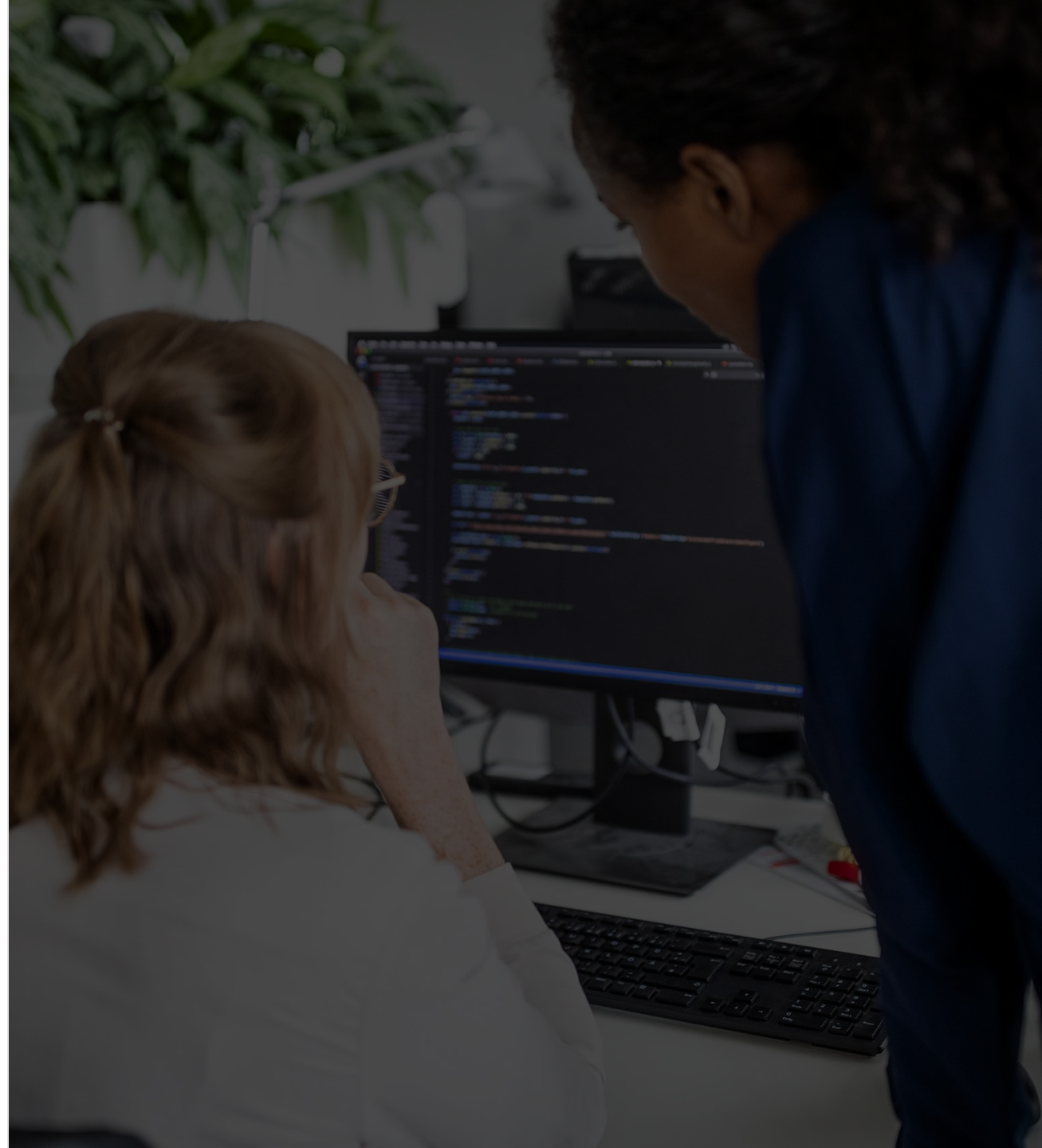
Number of FTE allocation by business function and maturity

Question: How many FTEs did your company have per department in 2023? Total should equal your company's average FTEs
n =49

■ Sales and marketing ■ Professional services ■ Customer success and support ■ Finance, HR & Admin ■ R&D – Outsourced ■ R&D – In-house



Management considerations and outlook



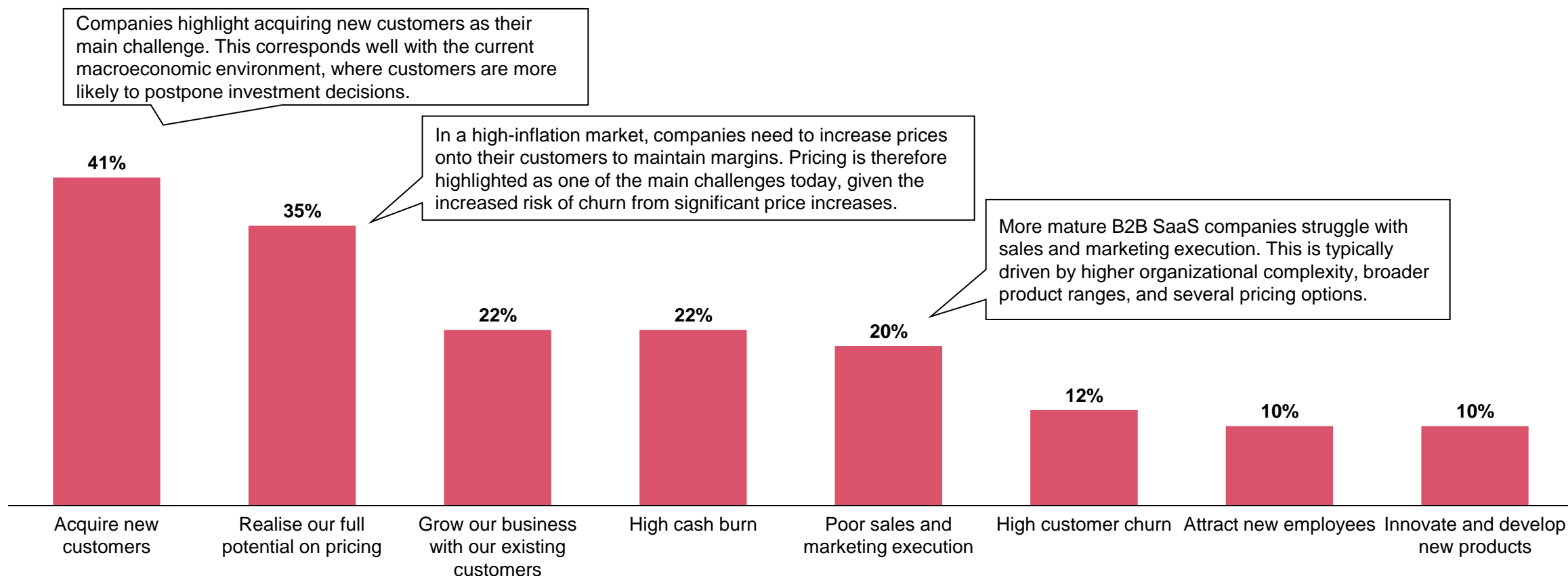


Companies highlight acquisition of new customers and realization of full pricing potential as their two main challenges in the current market

Main strategic challenges

Question: What are the biggest challenges currently faced by your business? (Select up to 3)

n =51



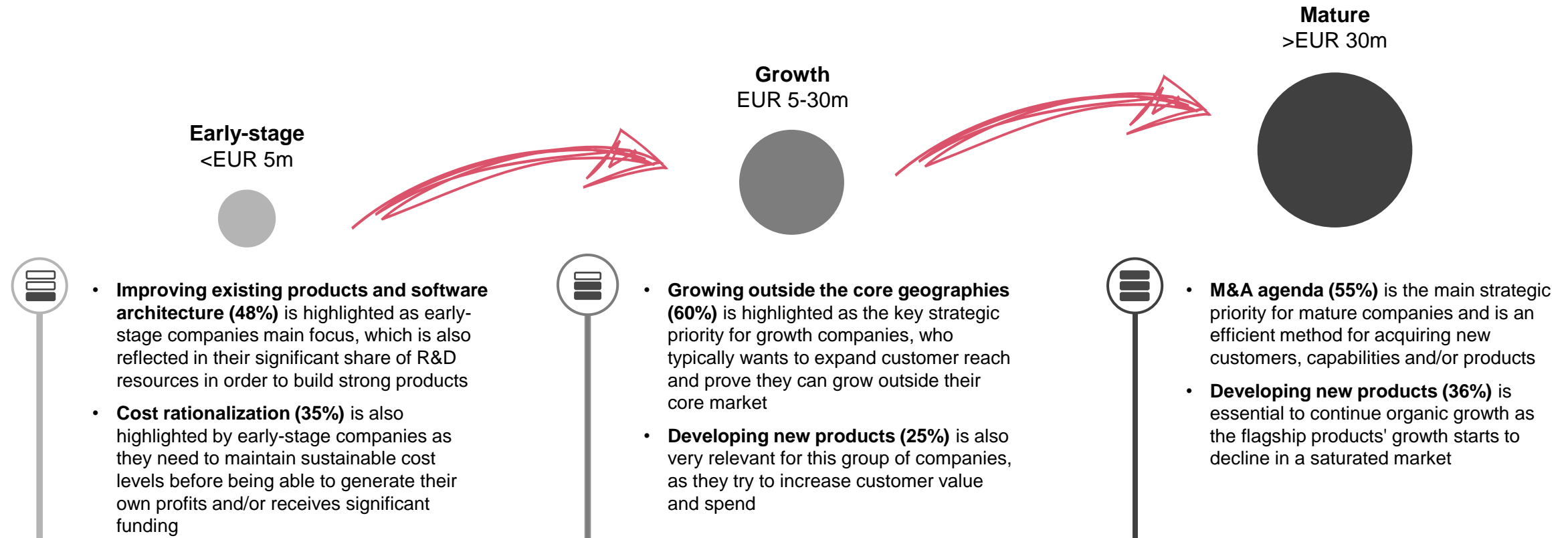


Most surveyed companies will explore new go-to-market strategies and focus on customer retention and expansion going forward

Roadmap of strategic priorities by customer size

Question: What are your main strategic priorities? (Select up to 3)

n =51





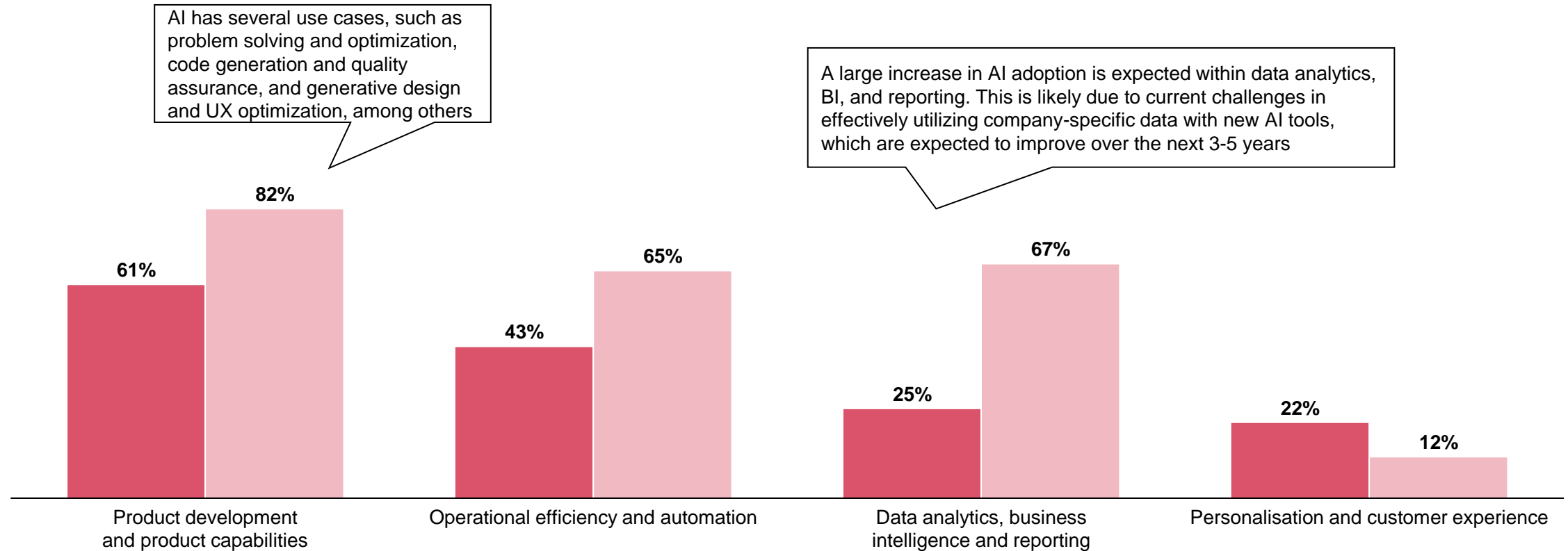
Use of AI is particularly high in product capabilities and development – highest increase in adoption expected within analytics, BI and reporting

AI adoption by main business domain, Today vs. 3-5 years from now

Question: How do you currently utilise artificial intelligence? (Select up to 3)

Question: For the next 3-5 years, where do you anticipate the most significant impact of AI on your business? (Select up to 3)
n =51

Today In 3-5 years



Our team brings a broad range of relevant expertise towards Nordic B2B SaaS

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We have also published thought leadership within Maritime software, a B2B SaaS vertical with a large presence of Norwegian category leaders

Vertical SaaS: Maritime software case study

Maritime software as a B2B SaaS vertical

Norway has long traditions with the maritime industry, while being frontrunners when it comes to digital adoption. It is therefore no surprise that many of the maritime software category leaders originate from Norway.

Such players have attracted high interest from Nordic and international buyout funds, with examples such as Navtor (Accel KKR), Unisea (Adelis Equity), Seagull (Oakley Capital / OTG) and Star (Longship)

Examples of Norwegian category leaders

Navtor

StormGeo

Star

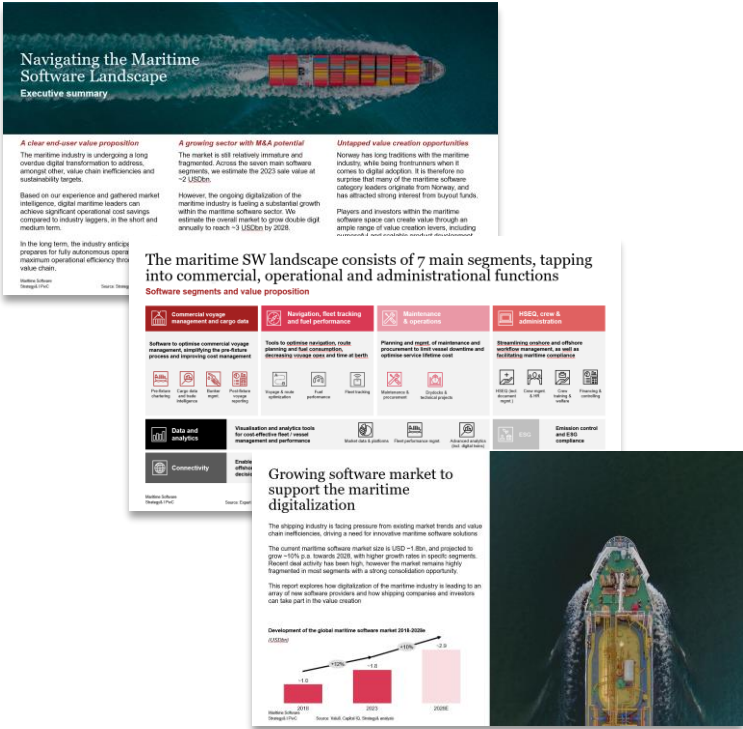
Bassnet

Unisea

Vesselman

Ocean Technologies Group

Strategy& with separate thought leadership



Thank you

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