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Cloud Startup OutSystems' \$9.5 Billion Valuation Is Slashed In Half After New Funding Round

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CEO Paulo Rosado founded OutSystems in 2001 and led the company through a 17-year slog before it reached unicorn status. RAFAEL

OutSystems, a software firm which sells low-code app development tools, quietly raised a new financing round last October at less than half its previous \$9.5 billion valuation, *Forbes* has learned.

Private equity giant KKR & Co. invested €231.8 million (\$228.4 million, based on the conversion rate at the time) in a funding round, according to a source familiar with the deal and a *Forbes* review of filings in the Luxembourg Business Registers. KKR's new primary shares amount to an approximately 5.3% position in the Boston and Lisbon, Portugal-based startup. That implies a post-money valuation of €4.4 billion (\$4.3 billion), which is 55% lower than the price tag on the prior February 2021 fundraise led by Tiger Global and Abdiel Capital.

Around the time of the fundraise, OutSystems also issued a tender offer that allowed current employees to sell up to 25% of their shares at a price near the newly set valuation, according to the source.

In a statement to *Forbes*, chief financial officer Tim McCarrick said the investment indicated KKR's "continued confidence and support of our business" and would reinforce its market position. Tiger Global declined to comment. Abdiel Capital did not return requests for comment at the time of publication.

"We believe OutSystems is well-positioned to continue to scale thanks to its focus on product innovation," KKR's John Park said in a statement. KKR first invested in a [2018 financing](#) that made OutSystems a \$1 billion company. Park, who heads the firm's North American private equity technology practice, is joining the board as part of the new fundraise.

Founded in 2001 by Paulo Rosado, who remains CEO, OutSystems sells software that helps enterprises more easily build their own apps. It has signed on big name customers including Schneider Electric and Humana, as well as marquee investors Goldman Sachs and General Atlantic.

The previously unreported financing for one of the world's largest startups by valuation is the latest harbinger of a capital crunch in the market for private, growth-stage companies. Around the tech world, some once high-flying unicorns have begun to defrost their reticence with disclosing down rounds. Last month, data science firm Dataiku lowered its valuation to \$3.7 billion from \$4.6 billion, while cybersecurity company Snyk trimmed its valuation to \$7.4 billion from \$8.5 billion.

While those companies revealed modest price cuts, more dramatic slashes continue to carry a stigma that's kept companies mum. Swedish fintech Klarna confirmed new funding at an 85% valuation cut to \$6.7 billion from \$45.6 billion last July after the *Wall Street Journal* first [reported](#) on the news. Last month, British payments company Checkout.com cut its internal valuation by 73% to \$11 billion from \$40 billion, according to the *Financial Times*.

OutSystems, which placed no. 44 on [Forbes' 2022 Cloud 100 list](#), appears to be no exception to the precipitous price adjustments that investment firms are now able to command. Heading into 2022, an influx of VC investors had driven a [bidding war](#) across privately-backed tech that gave startups the leverage to dictate their preferred valuations.

But in the wake of the downturn, firms such as Tiger Global which were particularly aggressive in boosting valuations have in some cases had to [mark down their private investments](#). Unicorn startups have had to grapple

with whether their revenues can back up those hefty valuations — particularly in Europe’s less mature tech ecosystem, where American investors have begun to [retreat from the shores](#). Across the board, tech companies in the public market are now lucky to trade at multiples of 12x to 15x their revenue, [investors recently told Forbes](#).

By the end of 2021, OutSystems had a revenue multiple of more than 30x to the \$9.5 billion valuation it set earlier that year, per company filings reviewed by *Forbes*.

According to those filings, the company’s operating revenue grew 40% year-over-year from €169.9 million in 2019 to €238.7 million in 2020, then 15% to €276.5 million in 2021. Meanwhile, the company, which turned a €6 million operating profit in 2020, saw a €74 million loss in 2021. It’s unclear how the company performed in 2022, but the new funding round at a steeply discounted valuation suggests it was not able to fully validate the high bar set by its previous mark.

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