



PCE Industry Report

IT & Telecom





Middle Market M&A Summary

2nd Quarter 2015

IT & Telecom

Key Highlights

- The average value of the top ten transactions was \$2 billion.
 - The largest transaction was the acquisition of AOL, Inc by Verizon Communications, Inc. for \$4.8 billion.
 - The smallest transaction was the acquisition of Symphony Teleca Corp. by Harmon International Industries, Inc. for \$780 million.
- The public company industry median TEV / EBIT multiple is 18.5x.
- The public company industry median TEV / EBITDA multiple is 11.6x.

Key Trends

- The Semiconductor Equipment & Semiconductors subsector's transaction volume is trending positively. While the Communication & Electronic Equipment & Computers, Diversified & Wireless Telecom Services, and Internet Software and Services subsectors are trending negatively.
- The Internet Software & Services subsector's transaction volume was the largest at 79% of the industry.
- Technology-wise, demand for industry services will primarily be driven by mainstream adoption of third-platform services, which encompasses cloud-based computing, big data analytics and mobile connectivity.
- Industry revenue is anticipated to be driven primarily by rising corporate profit, which is expected to boost private investment in computers and software during the next five years. Overall, the industry is projected to grow at an average annual rate of 3.2% to \$441.1 billion over the five years to 2020.

Source: S&P Capital IQ, IBIS World, and PCE Proprietary Data

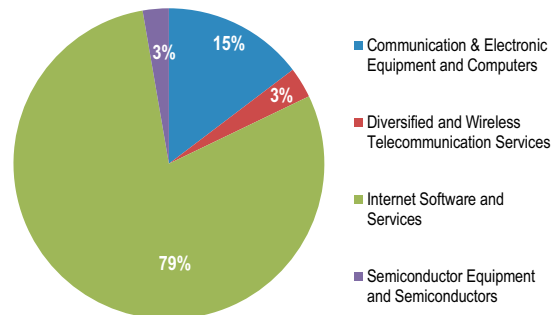
IT & Telecom - For the Quarter Ended 06/30/15

Industry Trends During Quarter

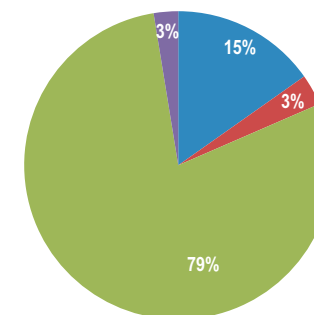
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	→	↑
Diversified and Wireless Telecommunication Services	↓	↓	↑
Internet Software and Services	↓	→	→
Semiconductor Equipment and Semiconductors	↑	→	↓

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry

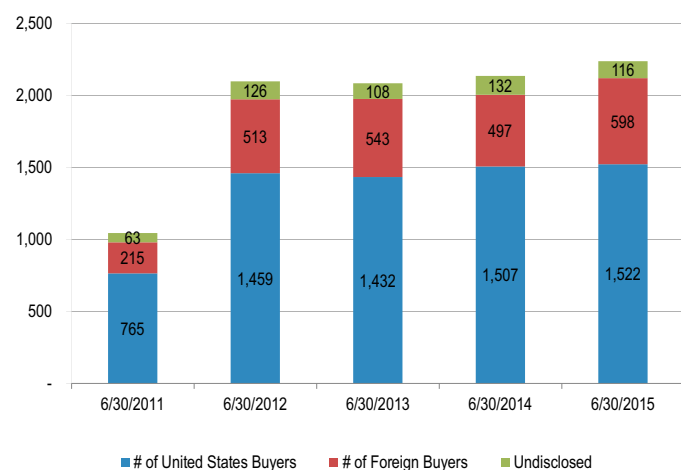


Quarter



Rolling 12-Month

Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Internet Software & Services	AOL Inc.	Verizon Communications Inc.	\$4,759.4
Comm & Electronic Equipment	Riverbed Technology, Inc.	Ontario Teachers' Pension Plan; Thoma Bravo, LLC; Ontario Teachers'	\$3,866.1
Comm & Electronic Equipment	Aruba Networks, Inc.	Hewlett-Packard Company	\$2,650.7
Comm & Electronic Equipment	Blue Coat Systems Inc.	Bain Capital, LLC	\$2,400.0
Comm & Electronic Equipment	Amerix Group, Inc.	Not available	\$1,308.1
Internet Software & Services	Fundtech Ltd.	DH Corporation	\$1,250.0
Internet Software & Services	Xerox Corporation, Information Technology Outsourcing Business	Atos SE	\$1,100.0
Internet Software & Services	Kofax Limited	Lexmark International Technology S.A.	\$1,014.3
Comm & Electronic Equipment	Viasystems Group, Inc.	TTM Technologies Inc.	\$1,006.4
Internet Software & Services	Symphony Teleca Corp.	Harman International Industries, Incorporated	\$780.0

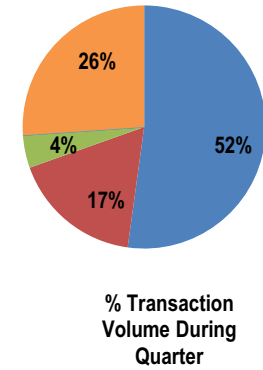
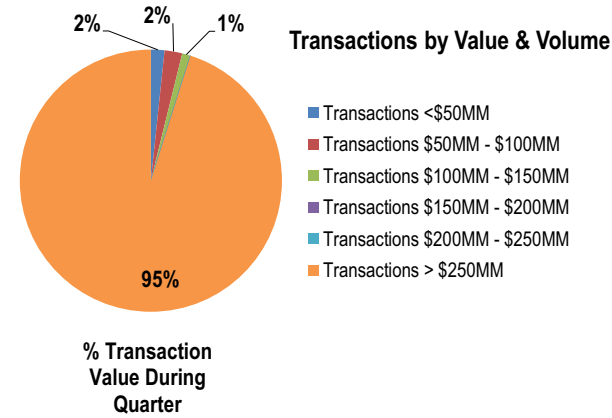
Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Communication & Electronic Equipment and Computers - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	92
Number of Transactions with Disclosed Values	23
Transaction Value*	\$12,571.72
Average Transaction Value*	\$546.60
Median Transaction Value*	\$48.75

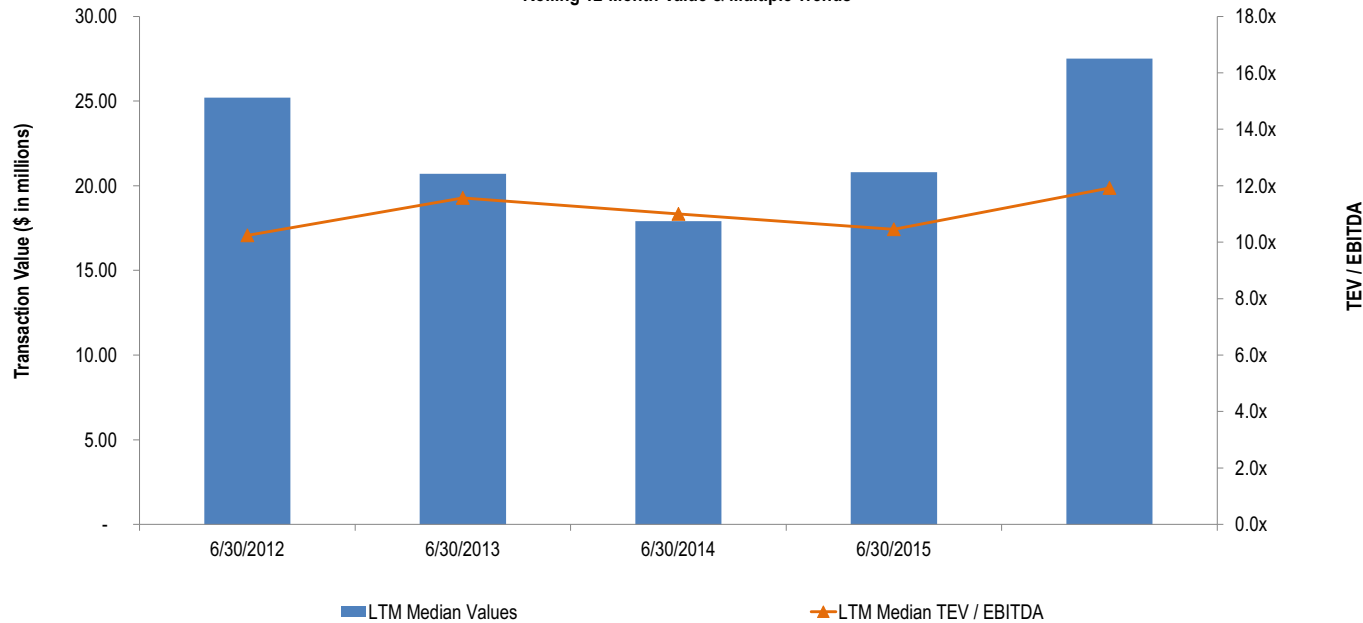
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*Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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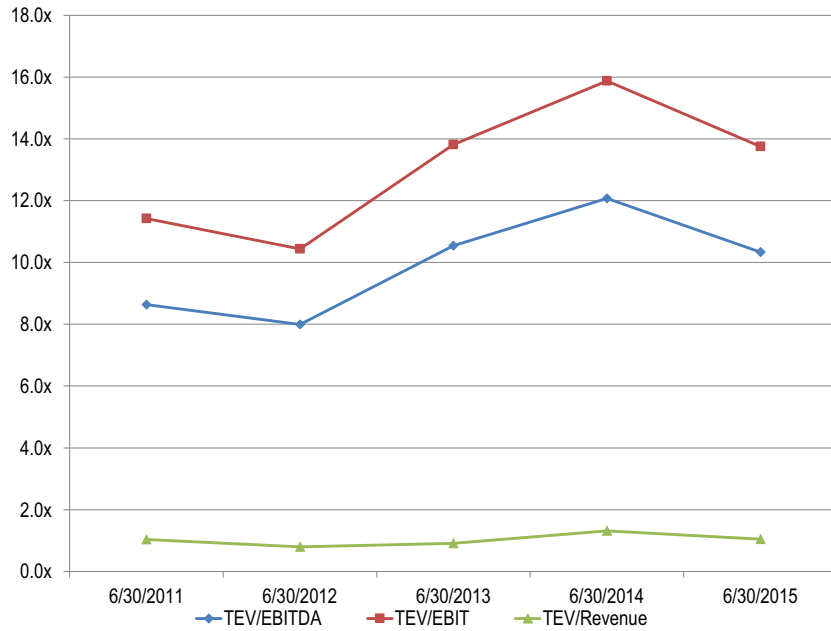
Communication & Electronic Equipment and Computers - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

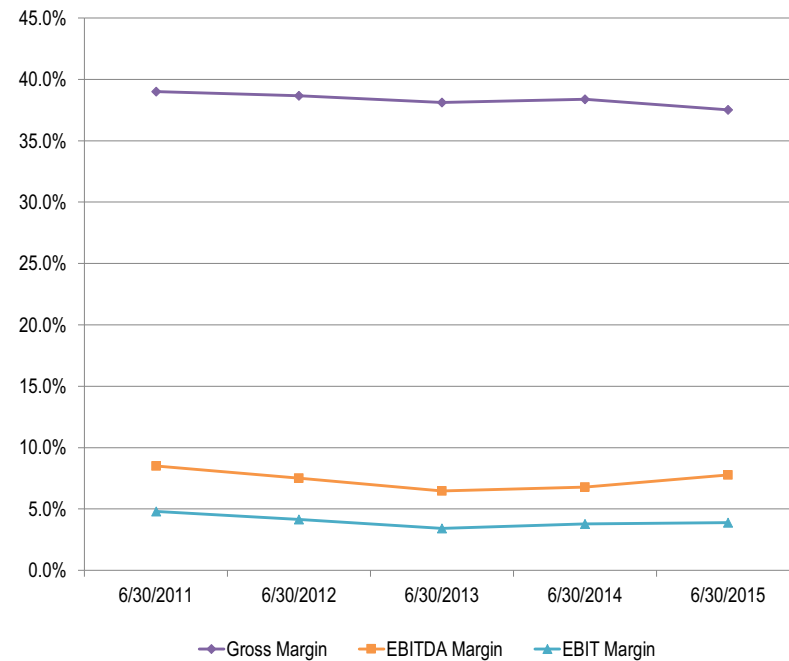
	TEV				LTM 6/30/2015 Trends
	Market Cap	Revenue	EBITDA	EBIT	
Averag	\$12,243	7.6x	11.7x	36.4x	TEV/Revenue ↑
Media	\$734	2.3x	8.0x	18.5x	TEV/EBITDA ↑
					TEV/EBIT ↓

	Margins			LTM 6/30/2015 Trends
	Gross Profit	EBITDA	EBIT	
Average	56.5%	20.1%	1.8%	Gross Margin ↓
Median	57.8%	23.0%	8.8%	EBITDA Margin ↓
				EBIT Margin ↓

Valuation Trends



Margin Trends

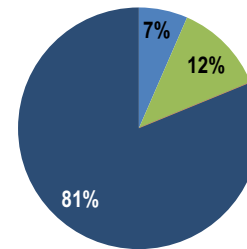


Diversified and Wireless Telecommunication Services - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	20
Number of Transactions with Disclosed Financial Values	6
Transaction Value*	\$456.27
Average Transaction Value*	\$76.04
Median Transaction Value*	\$14.40

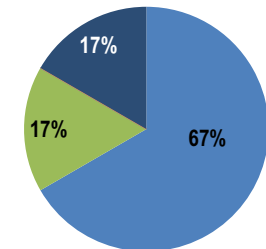
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% Transaction Value During Quarter

Transactions by Value & Volume

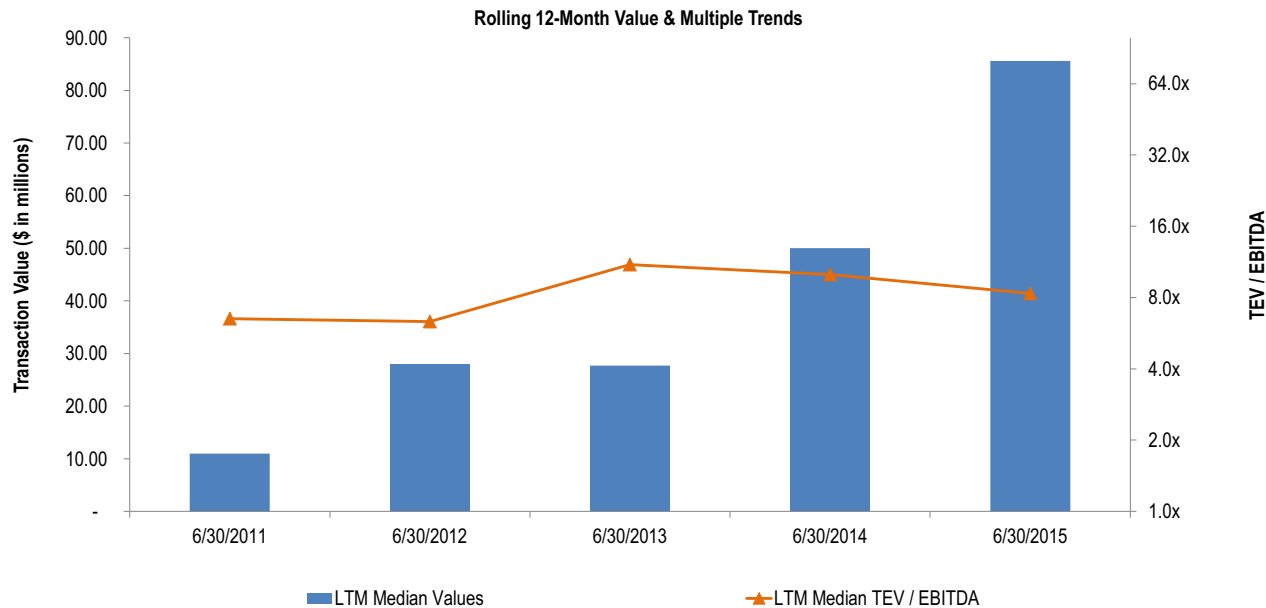
- Transactions <\$50MM
- Transactions \$50MM - \$100MM
- Transactions \$100MM - \$150MM
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- Transactions >\$250MM



% Transaction Volume During Quarter

*Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends



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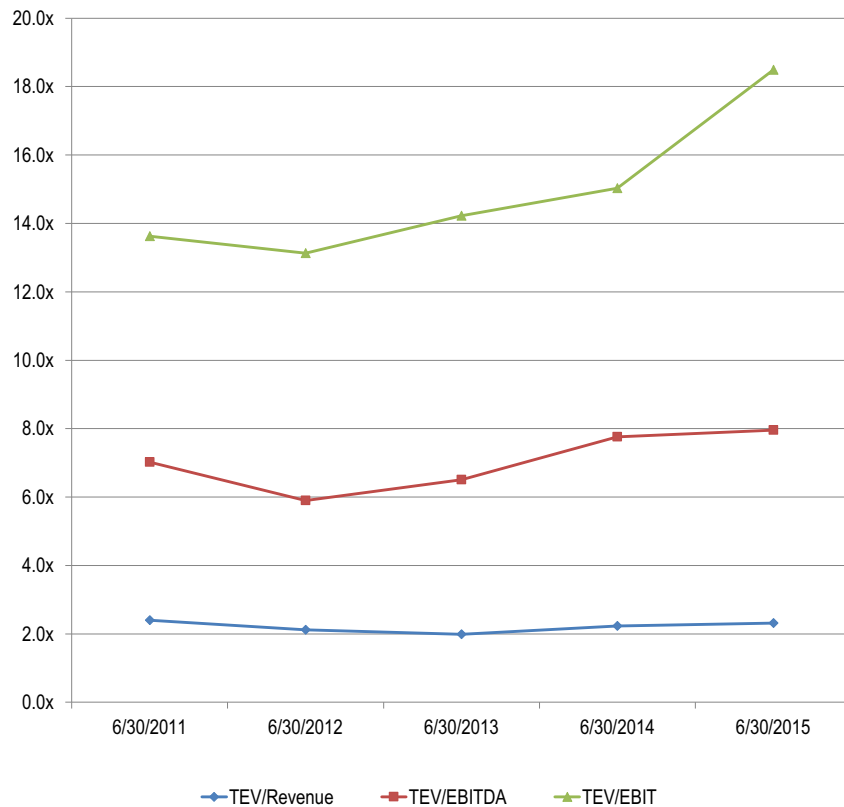
Diversified and Wireless Telecommunication Services - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

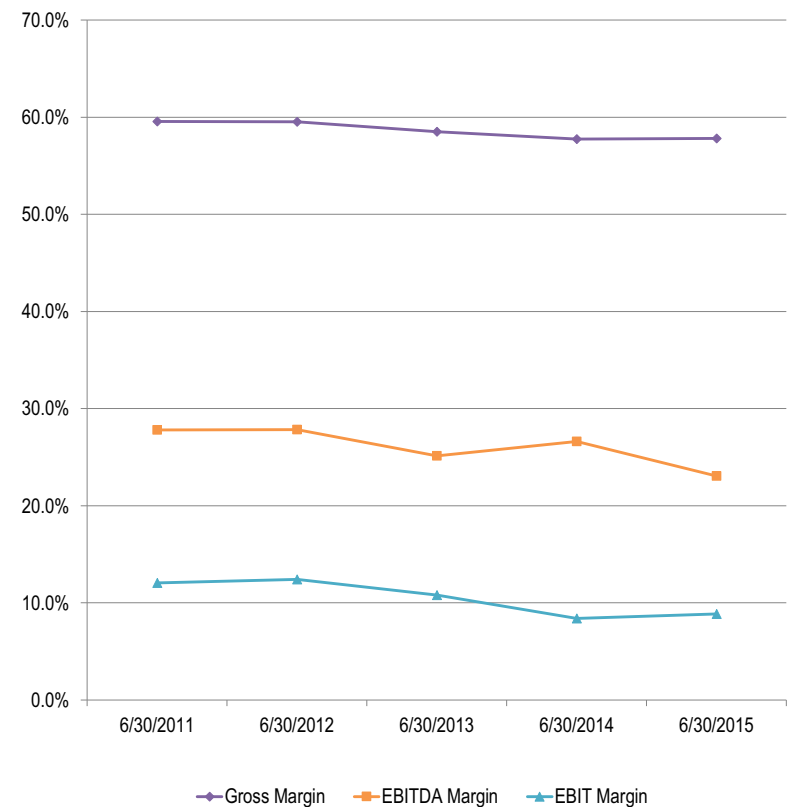
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$12,243	2.6x	16.2x	23.0x	TEV/Revenue	↑
Median	\$336	1.0x	10.3x	13.8x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.9%	20.1%	-1.4%	Gross Margin	↓
Median	57.8%	23.0%	3.9%	EBITDA Margin	↓
				EBIT Margin	↓

Valuation Trends



Margin Trends

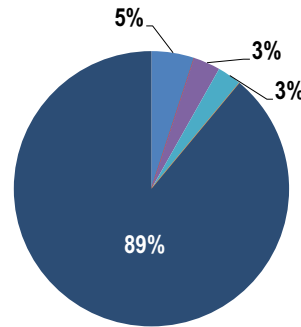


Internet Software and Services - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	498
Number of Transactions with Disclosed Values	63
Transaction Value*	\$12,331.20
Average Transaction Value*	\$195.73
Median Transaction Value*	\$15.20

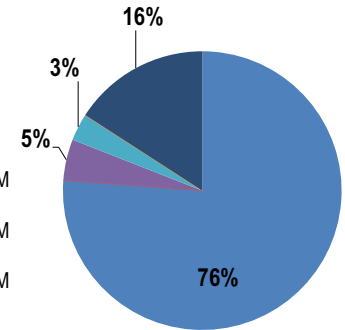
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% Transaction Value During Quarter

Transactions by Value & Volume

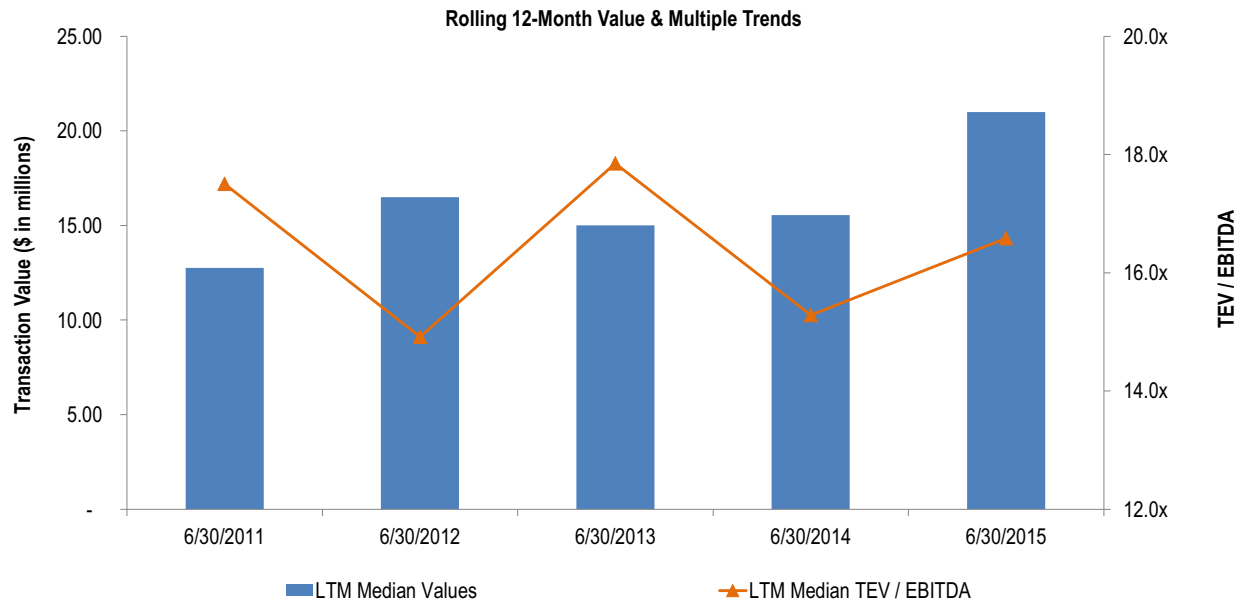
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% Transaction Volume During Quarter

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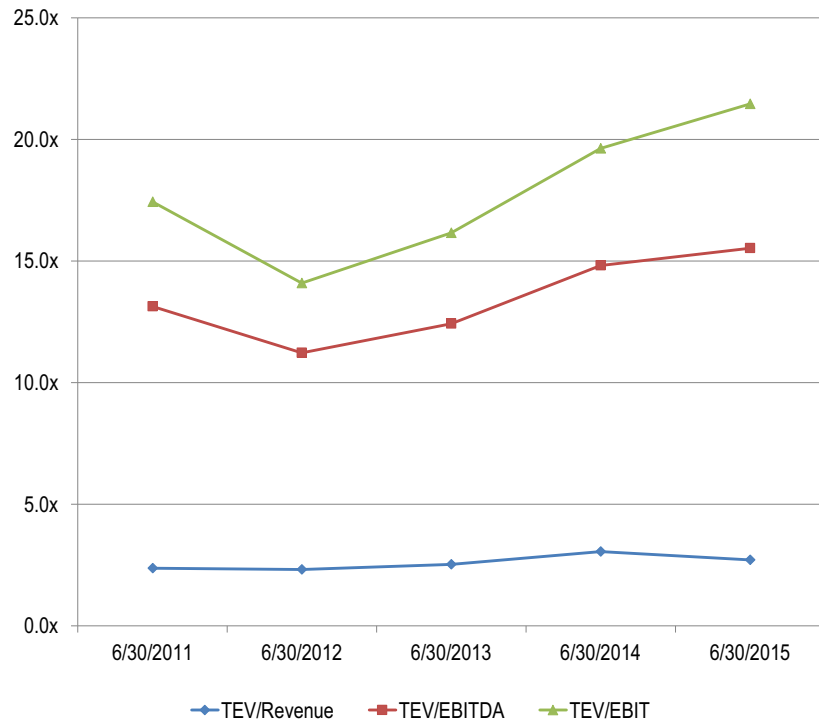
Internet Software and Services - For the Quarter Ended 06/30/15

Summary of Public Comparables as of Quarter End (\$ in millions)

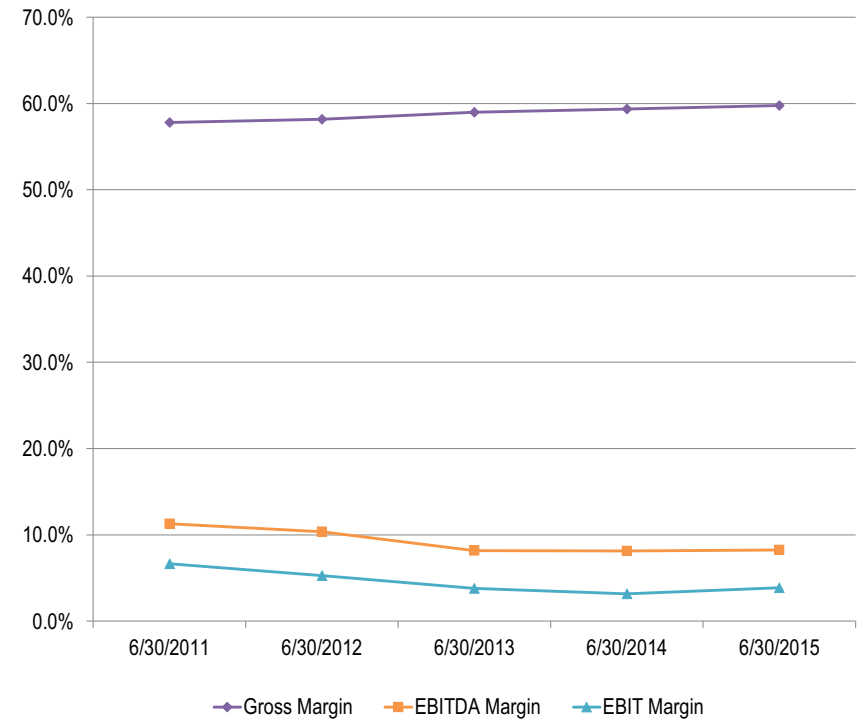
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,276	4.5x	25.4x	35.0x	TEV/Revenue	↓
Median	\$854	2.7x	15.5x	21.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.3%	0.9%	-3.8%	Gross Margin	↑
Median	59.8%	8.2%	3.9%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



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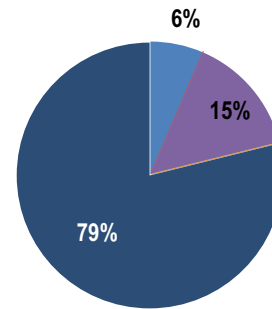
Semiconductor Equipment and Semiconductors - For the Quarter Ended 06/30/15

Summary of Sector Transactions During Quarter (\$ in millions)

Number of Transactions in Sector	17
Number of Transactions with Disclosed Values	6
Transaction Value*	\$878.55
Average Transaction Value*	\$146.43
Median Transaction Value*	\$84.63

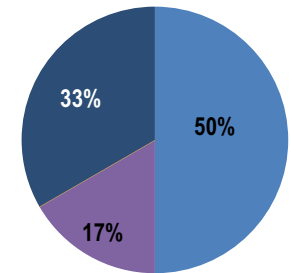
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Transactions by Value & Volume



% Transaction Value During Quarter

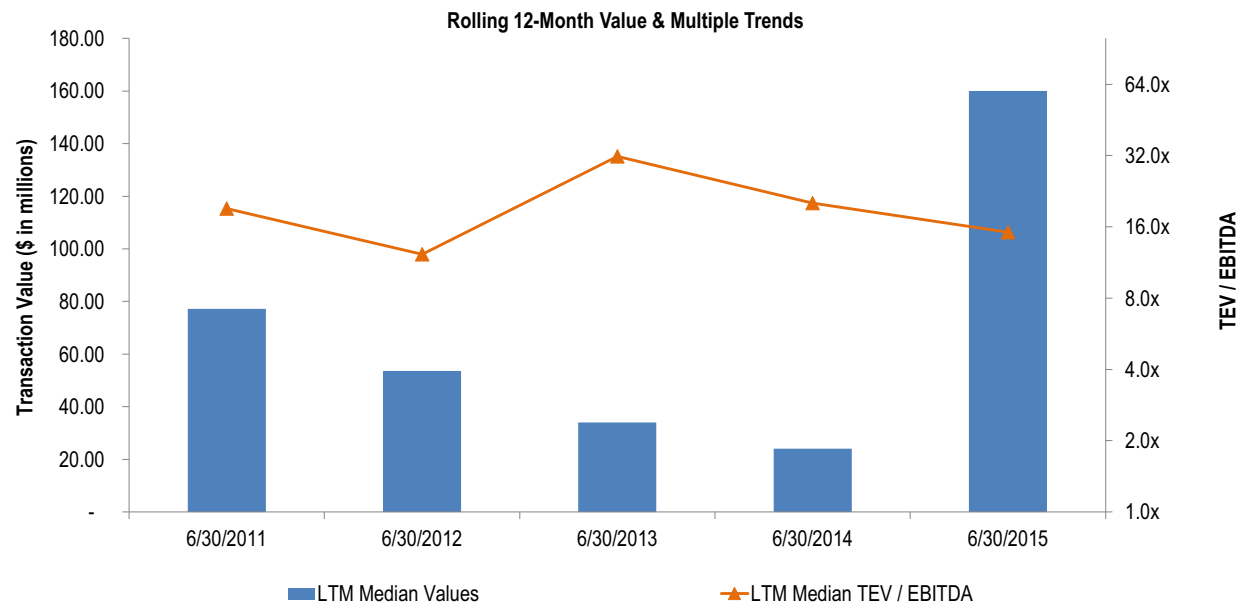
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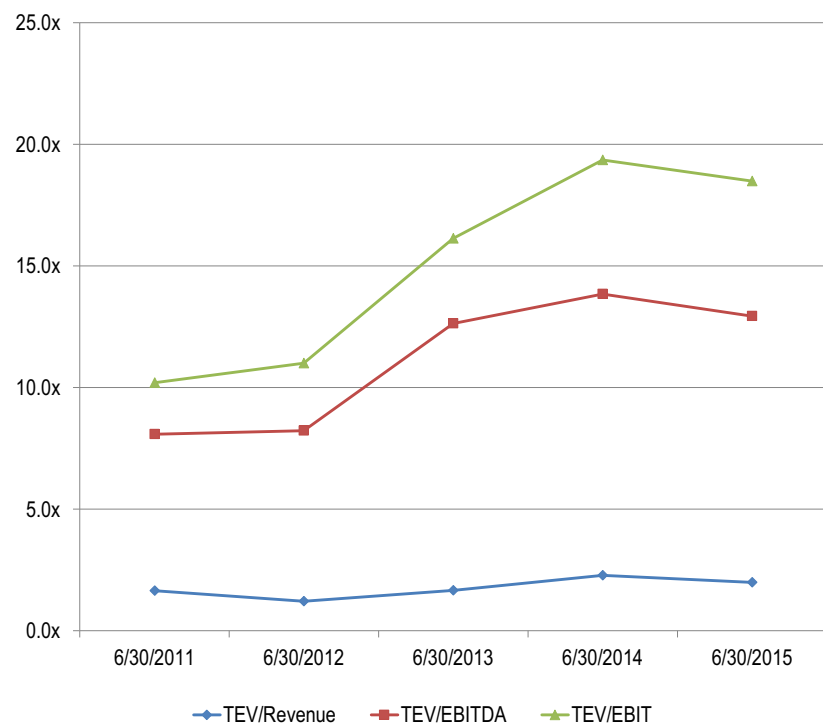
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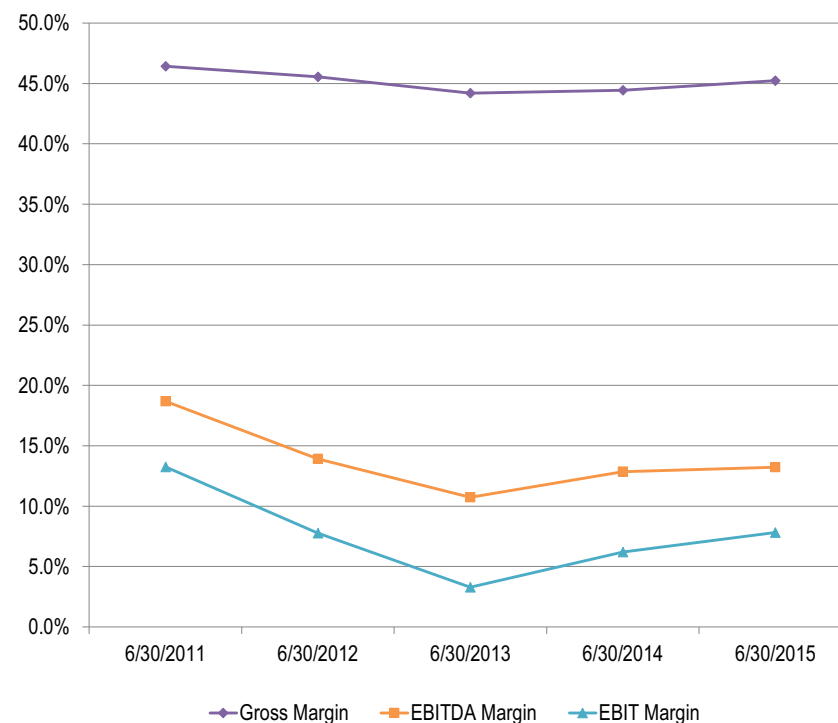
	TEV				LTM 6/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,261	2.9x	25.1x	27.4x	TEV/Revenue	↓
Median	\$874	2.0x	12.9x	18.5x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			LTM 6/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	43.2%	9.7%	2.8%	Gross Margin	↑
Median	45.2%	13.2%	7.8%	EBITDA Margin	↑
				EBIT Margin	↑

Valuation Trends



Margin Trends



Source: S&P Capital IQ as of 7/17/2015 and PCE Proprietary Data

Data Assumptions

At PCE, we consider transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. based companies with either foreign or U.S. based buyers. Transaction information provided is based on announced dates.



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Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value

About PCE

Eighteen years ago, PCE was formed to provide professional investment banking, business valuation and advisory services to middle market companies. We determined from our experience as business owners that there was a need that was not being professionally fulfilled.

We understand the importance of creating a relationship and the value of trust when providing our services. PCE's professionals are successful business owner, entrepreneurs, lenders, former Federal Reserve board members, CPA's, CFA's, national & international valuation experts, international analysts and investors. PCE offers senior level attention, sound advice, skilled execution and personalized attention you can trust.

Our mission is to be the premier investment bank serving middle market companies. PCE is committed to providing individualized strategies throughout your business life-cycle, focused on maximizing shareholder value.

PCE Investment Bankers, Inc. – member FINRA and SIPC; PCE Valuations, LLC; PCE Advisory, LLC