



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

1st Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$6.3 billion.
- The largest transaction was the acquisition of Broadcom Corporation by Avago Technologies Limited for \$36.9 billion.
- The smallest transaction was the acquisition of Navitaire, LLC. by Amadeus IT Group SA for \$830 million.
- The public company industry median TEV/EBIT multiple is 17.1x.
- The public company industry median TEV/EBITDA multiple is 11.6x.

Key Trends

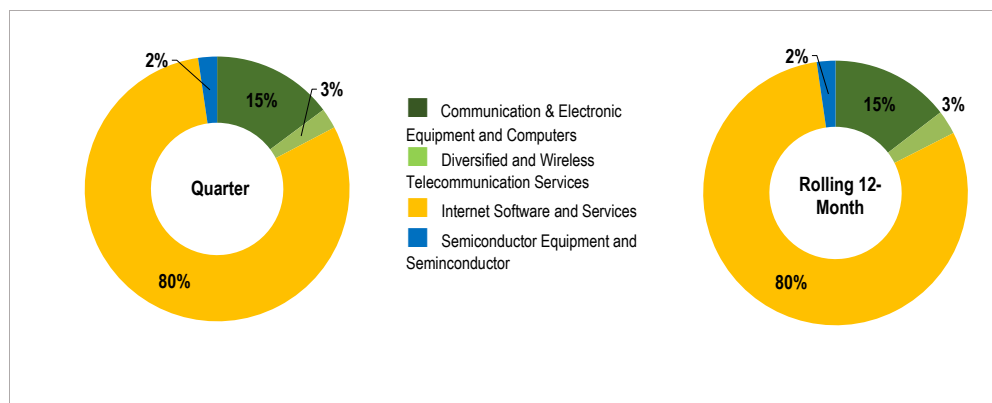
- The Semiconductor Equipment, Diversified & Wireless Telecom, Communication & Electronic Equipment, and Internet Software & Services subsectors' transaction volume are trending negatively.
- The Internet Software & Services subsector's transaction volume was the largest at 80% of the industry over the past quarter.
- With the growing competitive environment for the Telecommunication Industry, companies are consolidating to eliminate redundant cost and expand coverage.
- Technology industry is expected to be an active market for M&A activity in 2016. As competitors continue to consolidate to get access to proprietary analytics and internet of things.
- The ability to improve cell phone networks from 4G to 5G will be a major determinate that will set companies apart. The belief is that 5G will add ultra HD and 3D video, and smart home capabilities to your network. 5G's biggest promise is low latency, meaning a faster connection. Field testing for 5 G is expected to begin by the close of 2016 with a launch expected for 2017.

Industry Trends During Quarter

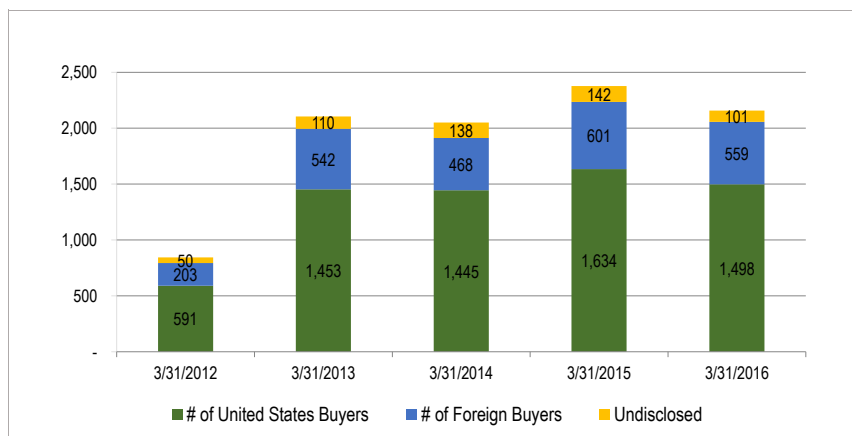
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↓	↓
Diversified and Wireless Telecommunication Services	↓	↓	↓
Internet Software and Services	↓	↓	↓
Semiconductor Equipment and Semiconductors	↓	↑	↓

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

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



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

Sector	Target	Buyer	Transaction Value
Semiconductor Equipment	Broadcom Corporation	Avago Technologies Limited	\$36,949.6
Internet Software & Services	Veritas Technologies LLC	The Carlyle Group LP; GIC Pte. Ltd.; Carlyle Partners VI, L.P.	\$7,000.0
Internet Software & Services	Solera Holdings Inc.	Vista Equity Partners; Vista Equity	\$6,752.0
Internet Software & Services	SolarWinds, Inc.	Silver Lake; Thoma Bravo, LLC;	\$4,639.8
Semiconductor Equipment	PMC-Sierra Inc.	Microsemi Corporation	\$1,921.1
Semiconductor Equipment	OmniVision Technologies, Inc.	Shanghai Pudong Science and Technology Investment Co., Ltd.;	\$1,885.7
Internet Software & Services	Jasper Technologies, Inc.	Cisco Systems, Inc.	\$1,400.0
Internet Software & Services	Constant Contact, Inc.	Endurance International Group Holdings, Inc.	\$1,112.1
Comm & Electronic Equipment	SolidFire Inc.	NetApp, Inc.	\$870.0
Internet Software & Services	Navitaire LLC	Amadeus IT Group SA	\$830.0

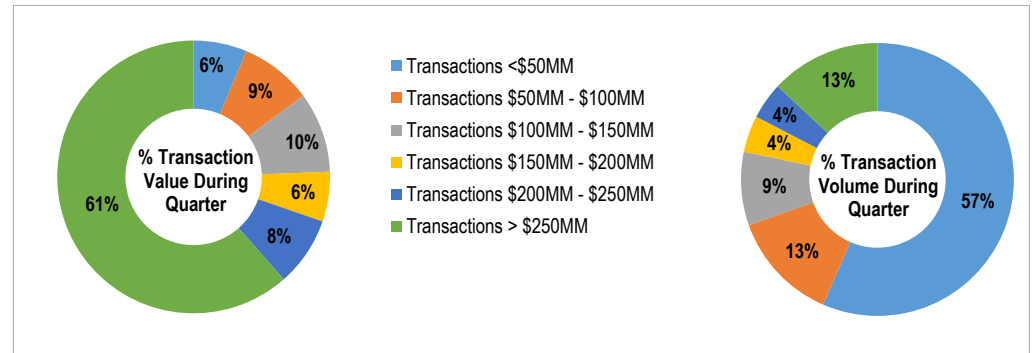
Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

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

Transaction Volume	77
Number of Transactions with Disclosed Values	23
Transaction Value*	\$2,828.73
Average Transaction Value*	\$133.99
Median Transaction Value*	\$45.00

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

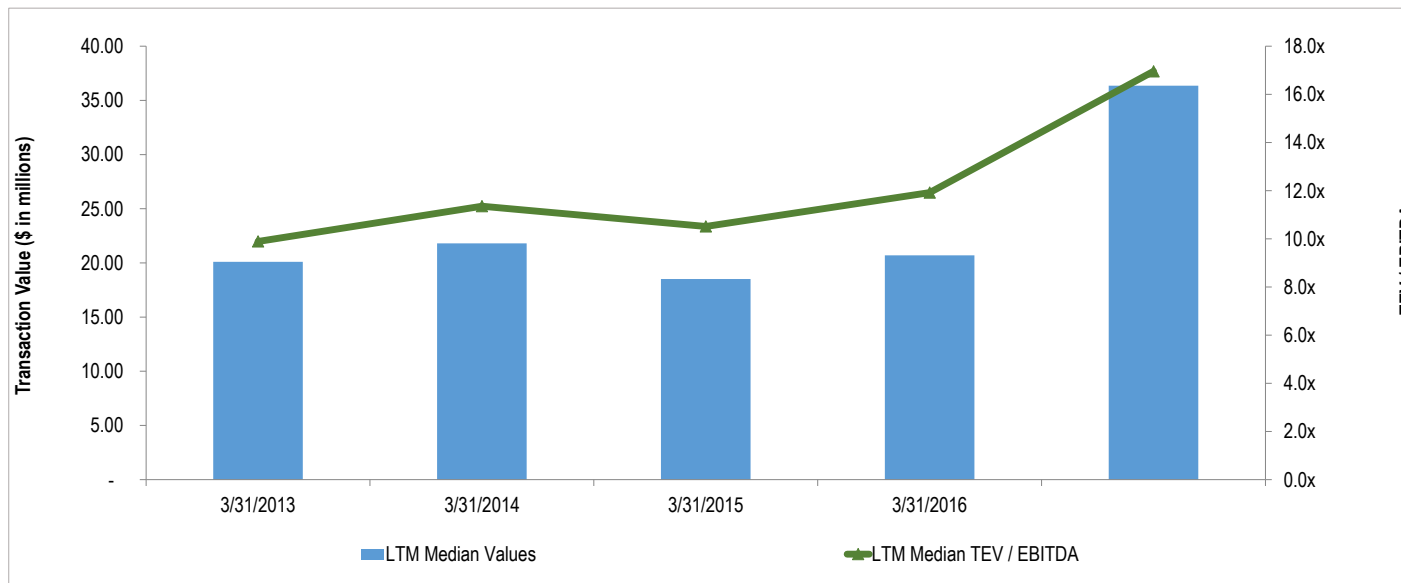
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

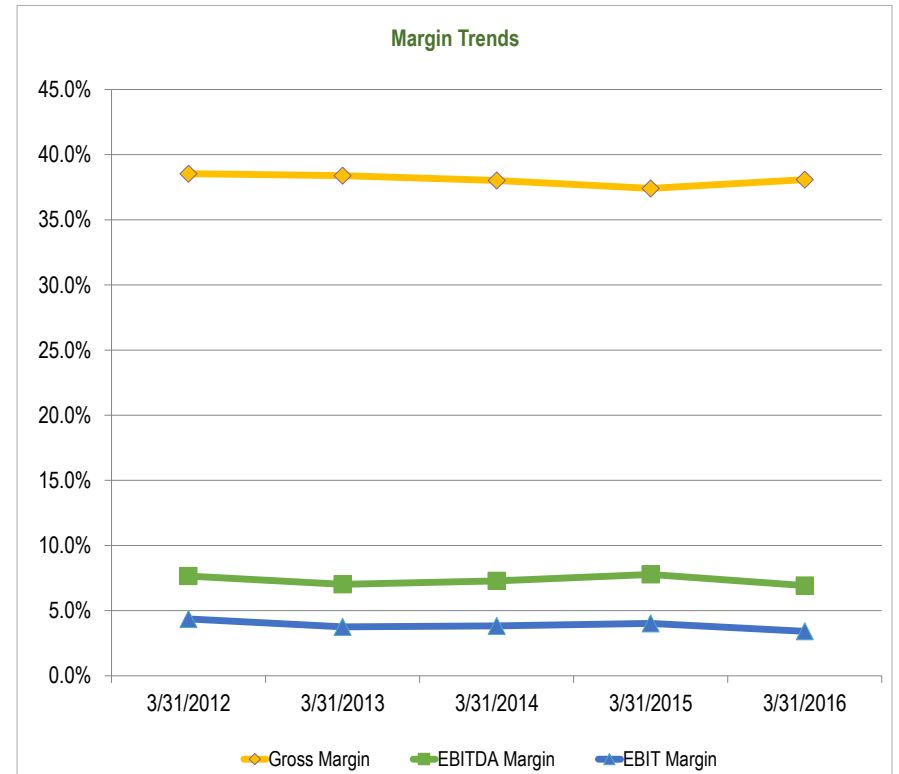
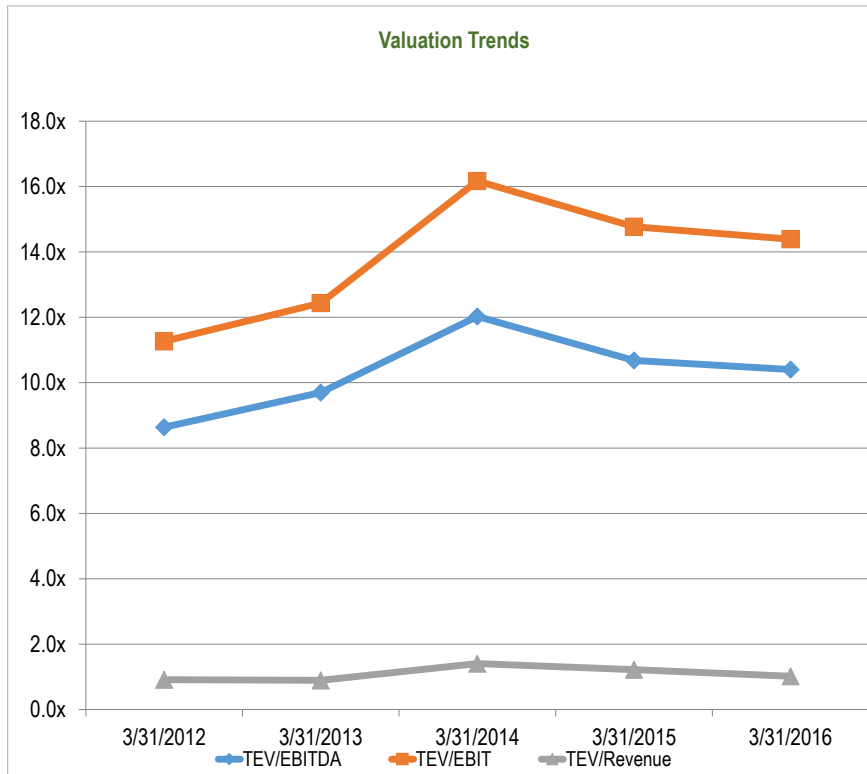


Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$14,513	6.6x	19.2x	27.2x	TEV/Revenue	↓
Median	\$751	2.0x	7.8x	17.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.7%	25.6%	5.0%	Gross Margin	↑
Median	55.1%	28.4%	11.2%	EBITDA Margin	↓
				EBIT Margin	↓



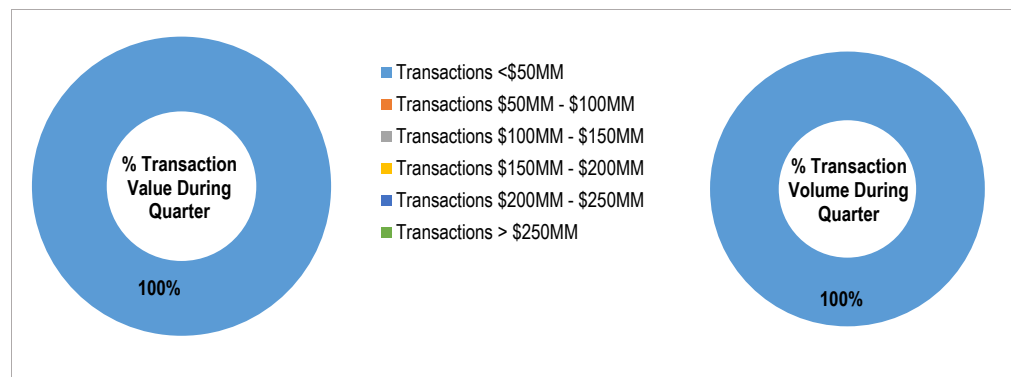
Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

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

Transaction Volume	13
Number of Transactions with Disclosed Values	2
Transaction Value*	\$52.91
Average Transaction Value*	\$20.00
Median Transaction Value*	\$20.00

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

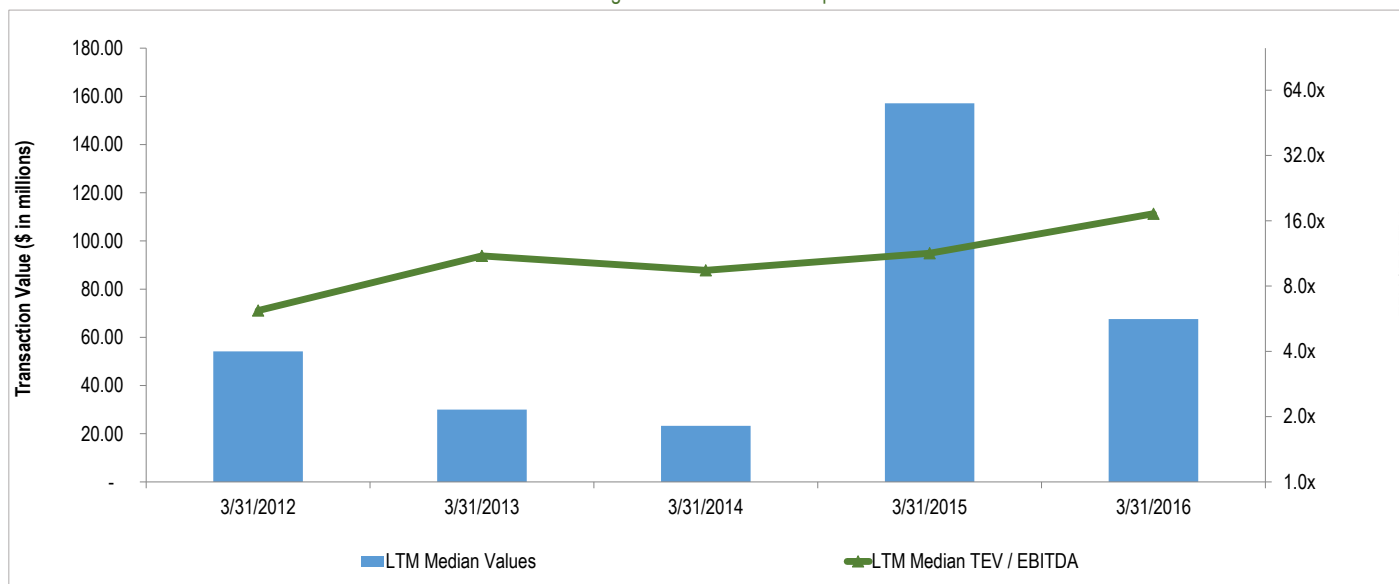
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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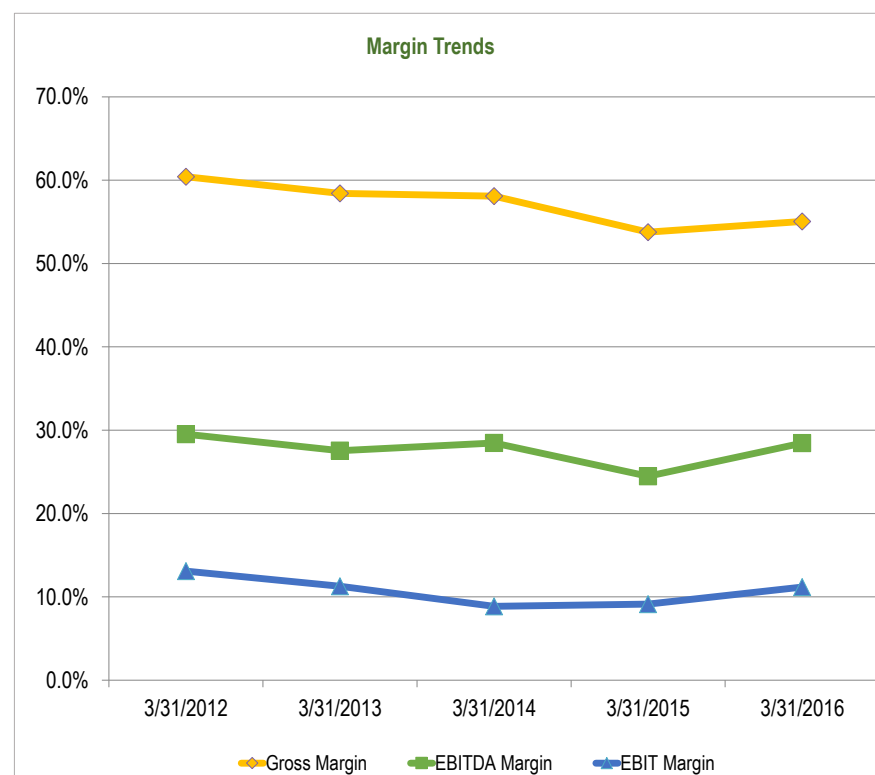
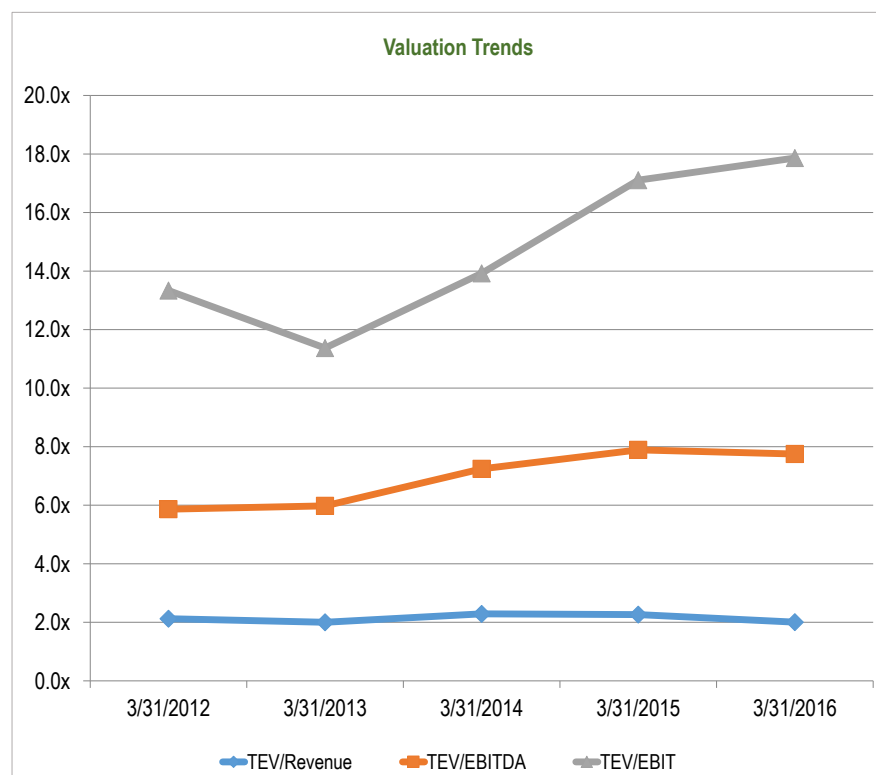
Diversified and Wireless Telecommunication Services

1st Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$14,513	2.6x	14.2x	22.5x	TEV/Revenue	↓
Median	\$326	1.0x	10.4x	14.4x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	36.7%	25.6%	-2.8%	Gross Margin	↑
Median	55.1%	28.4%	3.4%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

Internet Software and Services

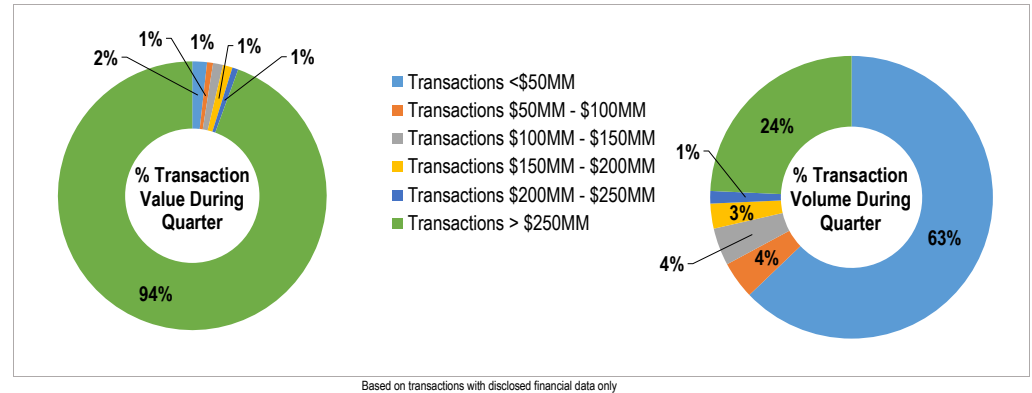
1st Quarter 2016

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

Transaction Volume	418
Number of Transactions with Disclosed Values	70
Transaction Value*	\$32,399.14
Average Transaction Value*	\$429.00
Median Transaction Value*	\$24.50

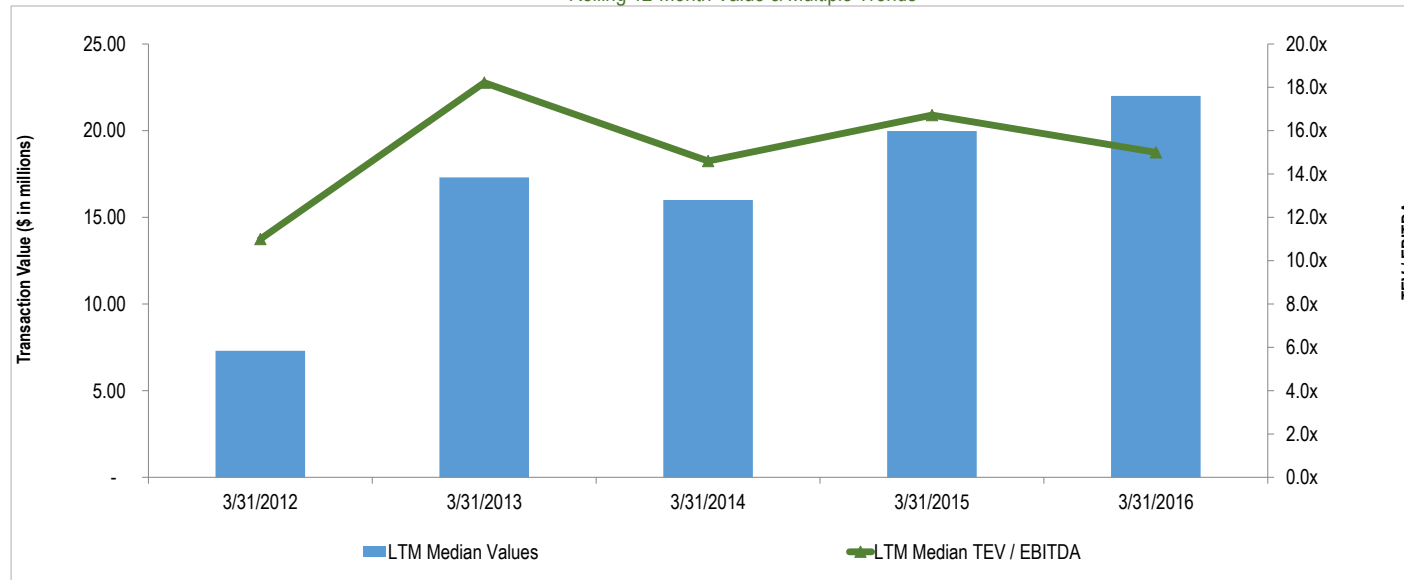
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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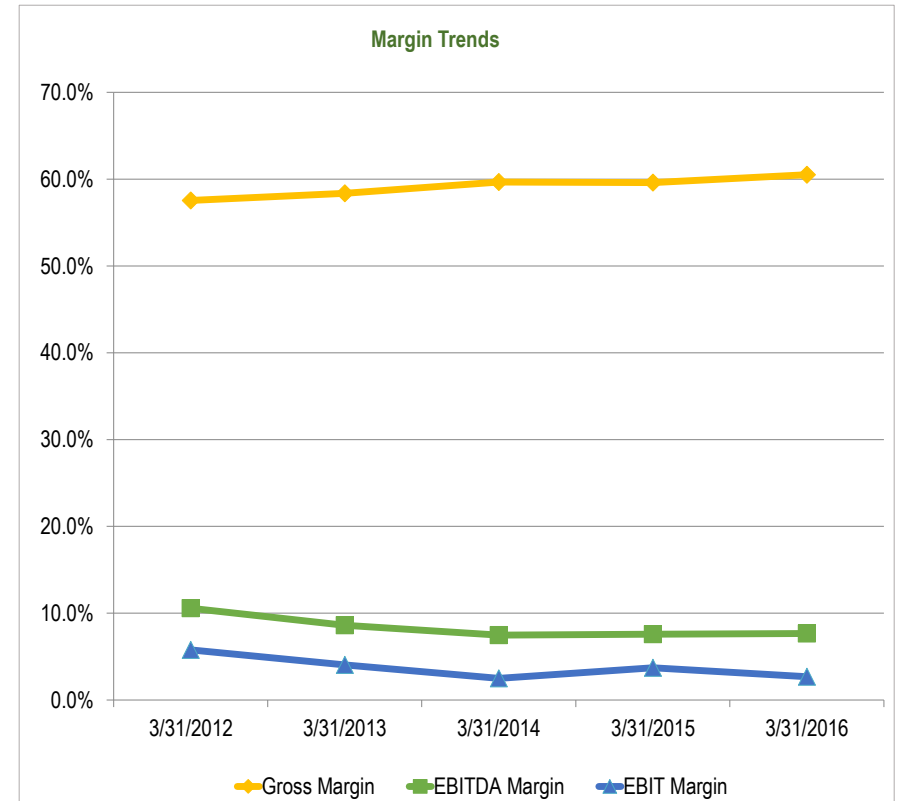
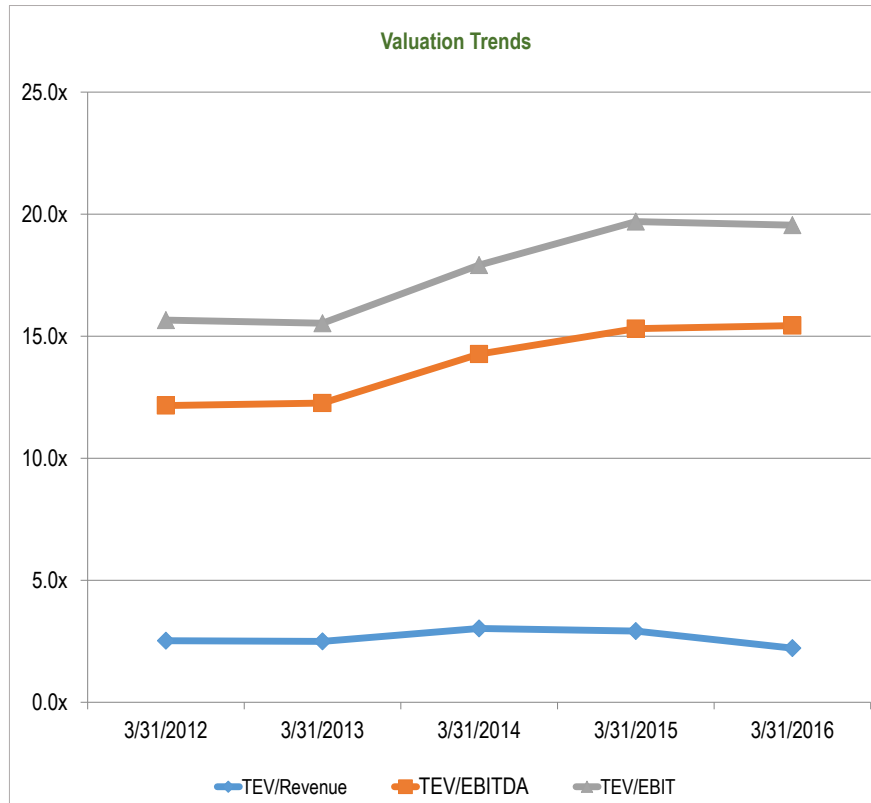
Internet Software and Services

1st Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$9,114	4.1x	26.7x	29.4x	TEV/Revenue	↓
Median	\$714	2.2x	15.4x	19.5x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	55.9%	1.4%	-4.3%	Gross Margin	↓
Median	60.5%	7.7%	2.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

Semiconductor Equipment and Semiconductors

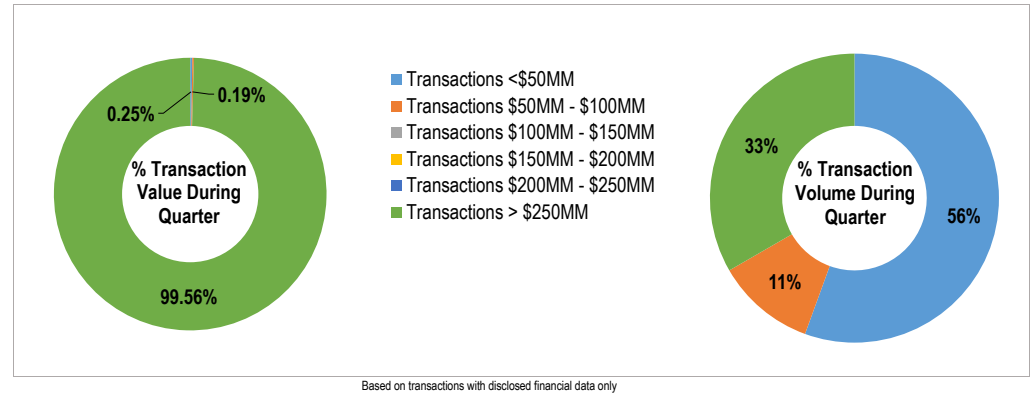
1st Quarter 2016

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

Transaction Volume	12
Number of Transactions with Disclosed Values	9
Transaction Value*	\$40,935.80
Average Transaction Value*	\$5,115.79
Median Transaction Value*	\$63.51

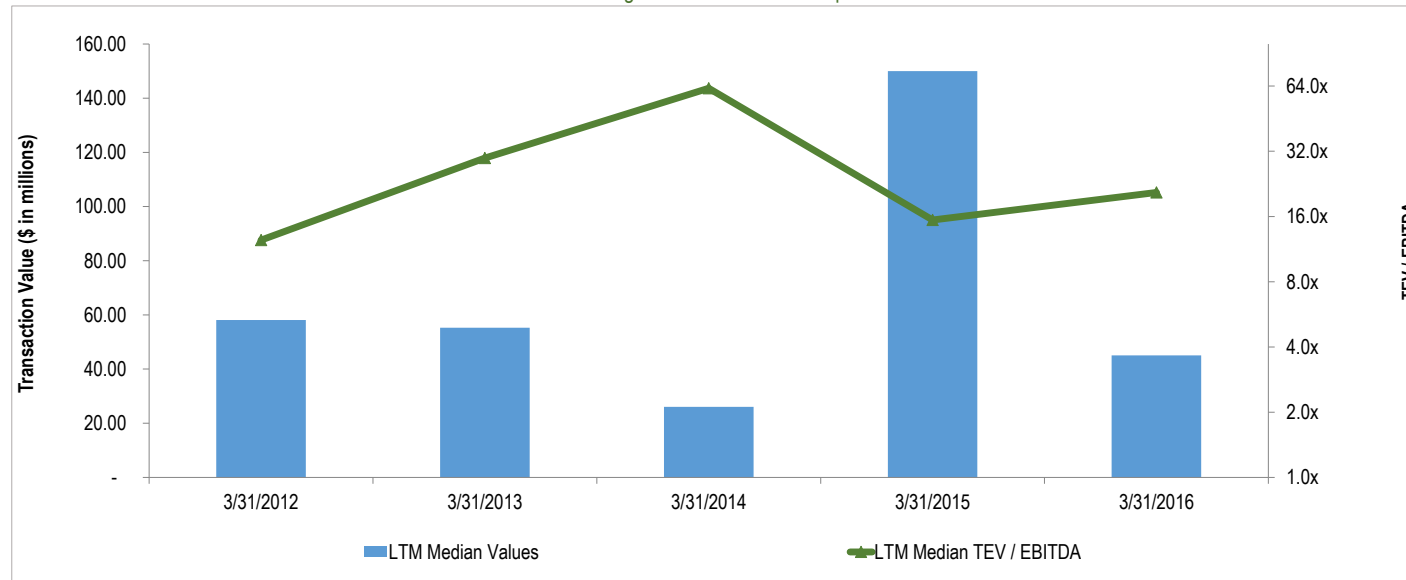
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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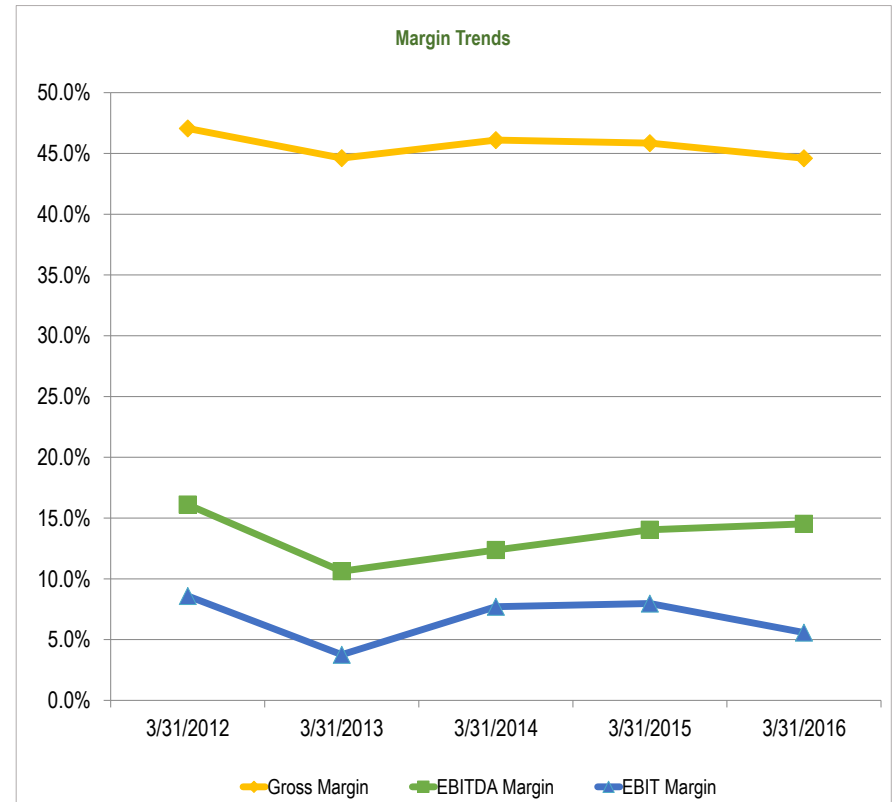
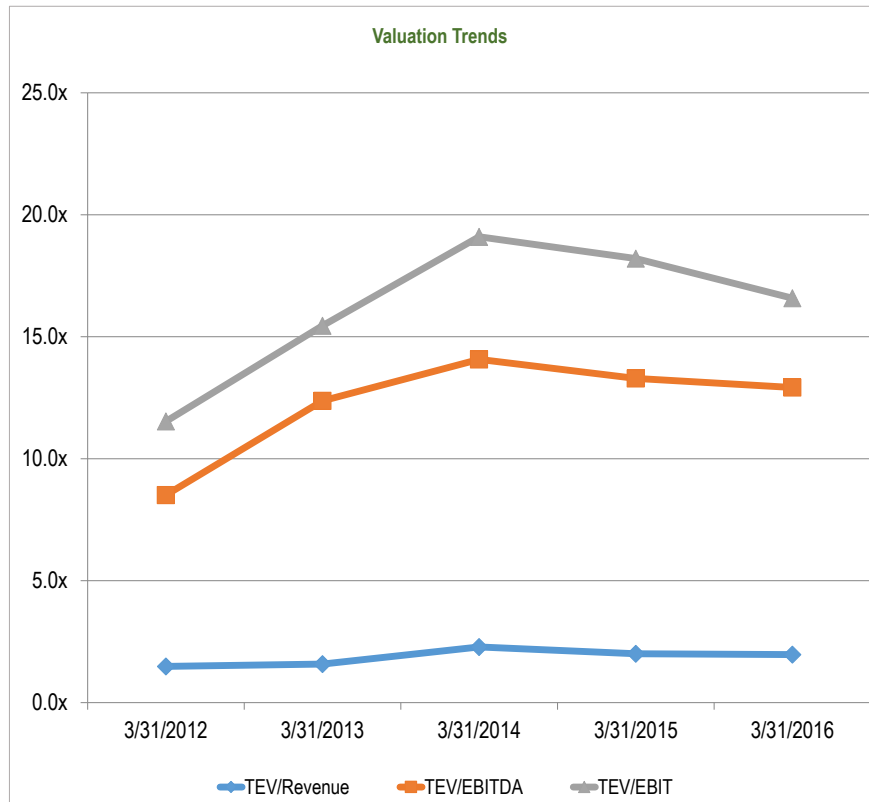
Semiconductor Equipment and Semiconductors

1st Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 3/31/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,887	2.5x	17.8x	33.6x	TEV/Revenue	↓
Median	\$904	2.0x	12.9x	16.6x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 3/31/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	44.4%	11.9%	4.1%	Gross Margin	↓
Median	44.6%	14.5%	5.6%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/25/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

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- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Contact Us



Michael Poole

Direct: 407-621-2112
Main: 407-621-2100
mpoole@pcecompanies.com



Michael Rosendahl

Direct: 201-444-6280 x1
Main: 407-621-2100
mrosendahl@pcecompanies.com

PCE Locations

Orlando
Atlanta
Chicago
New York

Data Assumptions

This report represents 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 closed/announced dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value