



# PCE Industry Report

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IT & Telecom



### Key Highlights

- The average value of the top ten transactions was \$5.48 billion.
- The largest transaction was the acquisition of SanDisk Corp. by Western Digital Technologies, Inc. for \$19.73 billion
- The smallest transaction was the acquisition of Textura Corporation by Oracle Corporation for \$682.6 million
- The public company industry median TEV/EBIT multiple is 20.1x.
- The public company industry median TEV/EBITDA multiple is 11.5x.

### Key Trends

- The Diversified & Wireless Telecom subsector's transaction volume is trending positively. The Semiconductors Equipment and Semiconductors subsectors, Internet Software & Services subsectors, and Communication & Electronic Equipment subsector are trending negatively.
- The Internet Software & Services subsector's transaction volume was the largest at 80% of the industry over the past quarter.
- According to Tech industry leaders, the new 5G network will be ready as early as 2019, providing better, faster service. When combined with the upcoming "internet of things," this will mean smart technology in everyday objects.<sup>1</sup>
- Gartner, the US based IT firm, has predicted that 60% of digital businesses will suffer major service failures by 2020 unless they improve IT security to combat cyber risk.<sup>2</sup>
- Opponents of the FCC's rules for the Open Internet recently lost a landmark case, as the suit filed by a number of tech companies, led by USTelecom in 2015, was struck down in the court of appeals. Not only does this give more freedom to the consumer, but it in turn helps the tech industry by granting users access to faster more reliable internet connections.<sup>3</sup>

IBIS World, S&P CapitalIQ, and PCE Proprietary Data

Source:

<sup>1</sup> "Tech Industry Leaders Discuss 5G Network in Future", Washington Post, June 2016.

<sup>2</sup> "Digital Businesses to Face Service Failures by 2020", The Economic Times, June 2016.

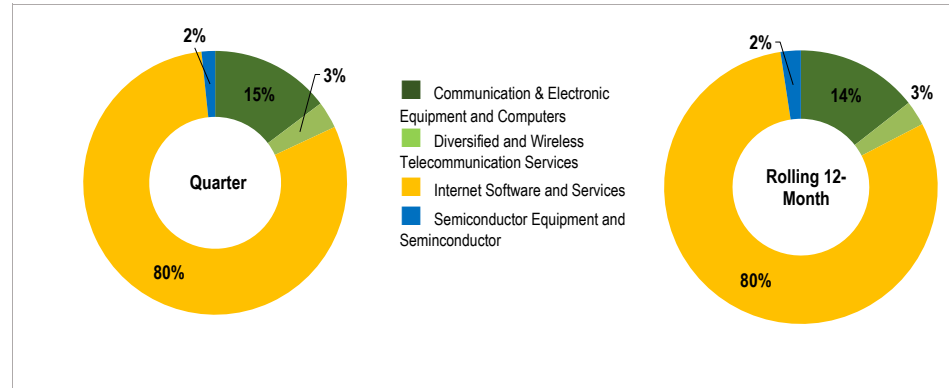
<sup>3</sup> "Federal court upholds FCC's net neutrality rules", USA Today, June 2016

## Industry Trends During Quarter

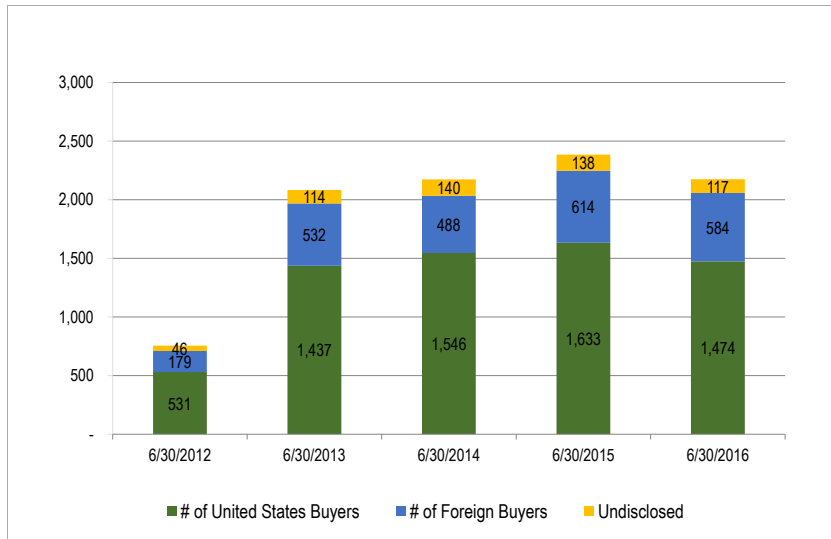
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↑	↓
Diversified and Wireless Telecommunication Services	↑	↓	↓
Internet Software and Services	↓	↑	↑
Semiconductor Equipment and Semiconductors	↓	↓	↑

\* 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
Comm & Electronic Equipment	SanDisk Corp.	Western Digital Technologies, Inc.	\$19,728.0
Diversified & Wireless telecom	Verizon Florida LLC, GTE Southwest Incorporated and Verizon California Inc.	Frontier Communications Corporation	\$10,540.0
Diversified & Wireless telecom	Bright House Networks, LLC	CCH I, LLC	\$10,439.0
Internet Software & Services	Heartland Payment Systems, Inc.	Global Payments Inc.	\$4,457.4
Semiconductor Equipment	Atmel Corporation	Microchip Technology Inc.	\$3,501.0
Internet Software & Services	TransFirst Holdings Corp.	Total System Services, Inc.	\$2,419.4
Comm & Electronic Equipment	Ruckus Wireless, Inc.	Brocade Communications Systems, Inc.	\$1,299.6
Comm & Electronic Equipment	Newport Corp.	MKS Instruments, Inc.	\$1,045.1
Diversified & Wireless telecom	NTELOS Holdings Corp.	Shenandoah Telecommunications Co.	\$730.1
Internet Software & Services	Textura Corporation	Oracle Corporation	\$682.6

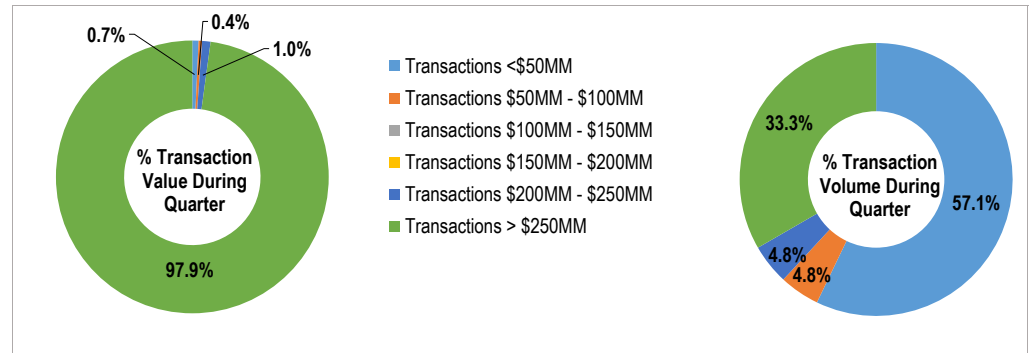
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	80
Number of Transactions with Disclosed Values	21
Transaction Value*	\$24,421.03
Average Transaction Value*	\$1,162.91
Median Transaction Value*	\$45.00

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

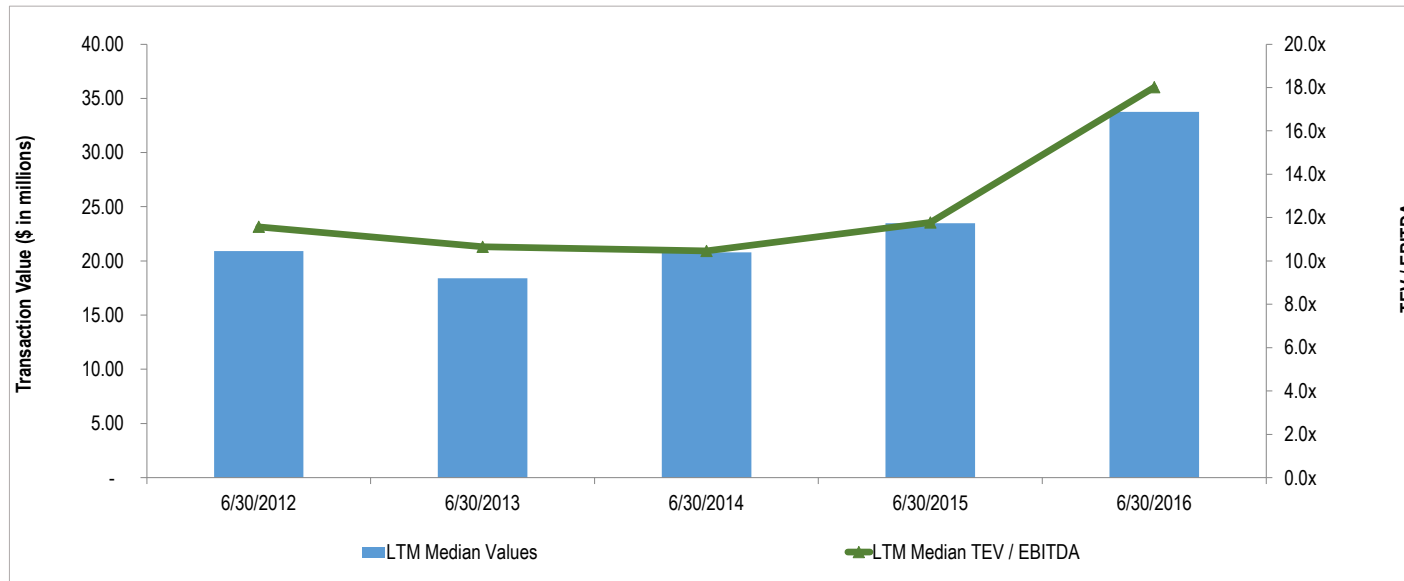
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

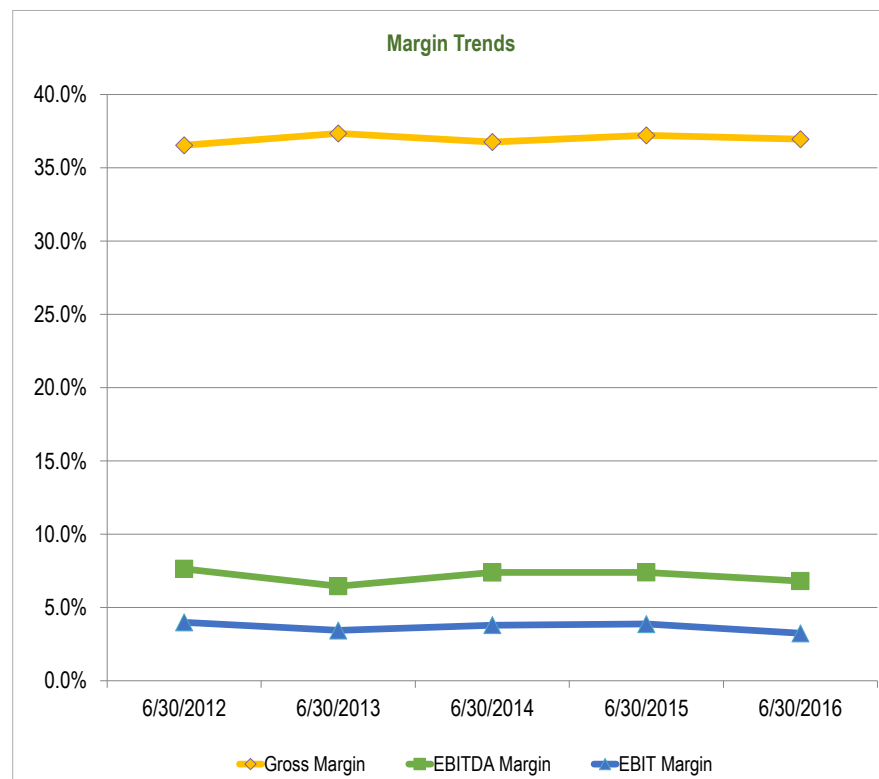
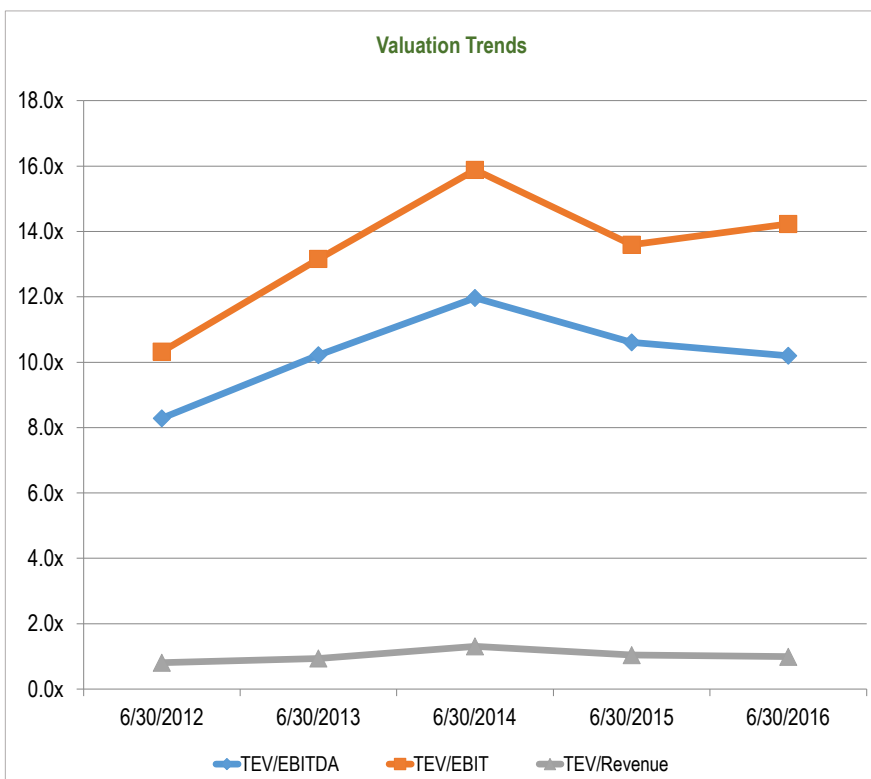


Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

### Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,385	3.0x	18.9x	22.3x	TEV/Revenue	→
Median	\$346	1.0x	10.2x	14.2x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	36.6%	2.5%	-2.1%	Gross Margin	↓
Median	36.9%	6.8%	3.2%	EBITDA Margin	↓
				EBIT Margin	↓



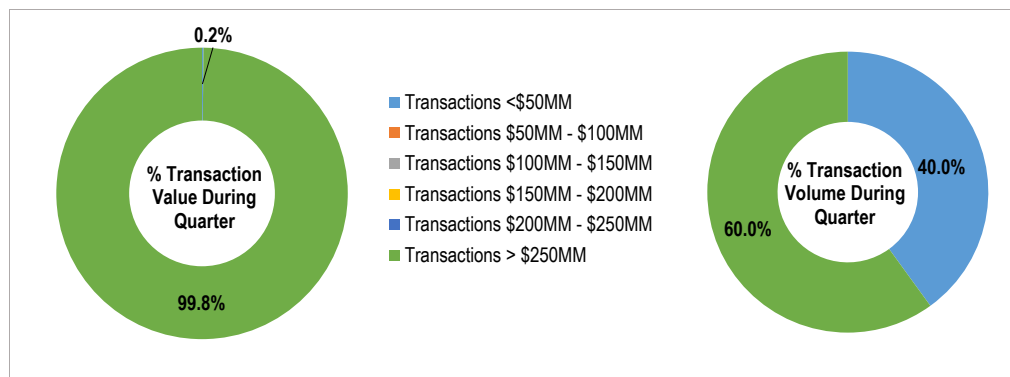
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	18
Number of Transactions with Disclosed Values	5
Transaction Value*	\$21,744.99
Average Transaction Value*	\$4,349.00
Median Transaction Value*	\$730.13

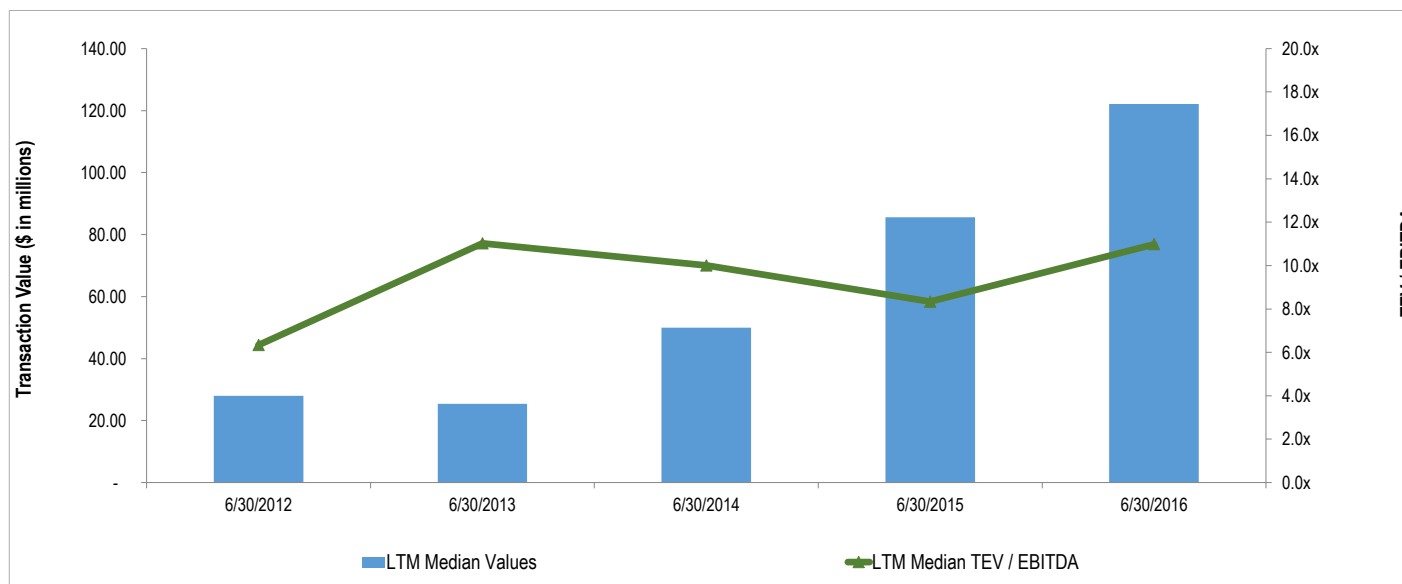
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### Transactions by Value & Volume



### Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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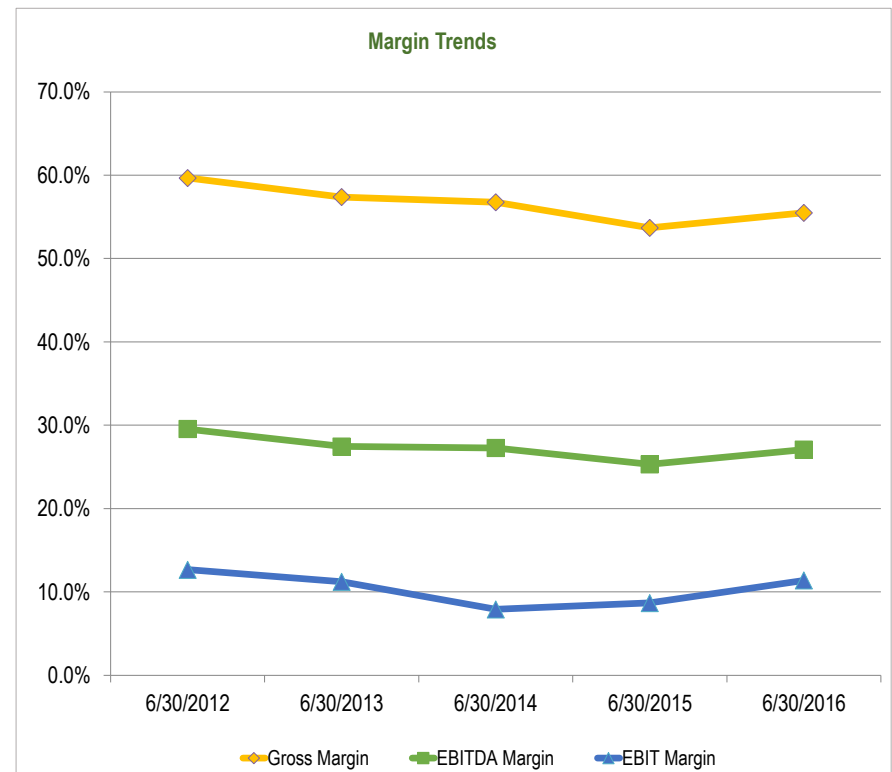
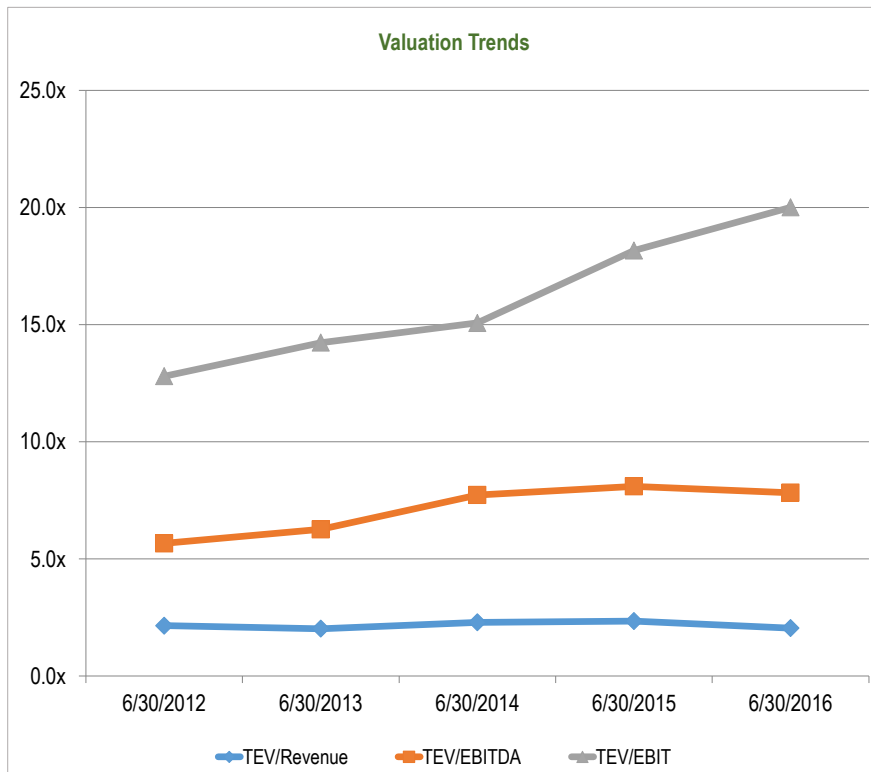
# Diversified and Wireless Telecommunication Services

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$15,671	5.9x	13.6x	25.6x	TEV/Revenue	↓
Median	\$900	2.0x	7.8x	20.0x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.1%	25.8%	3.0%	Gross Margin	↑
Median	55.5%	27.1%	11.4%	EBITDA Margin	↑
				EBIT Margin	↑



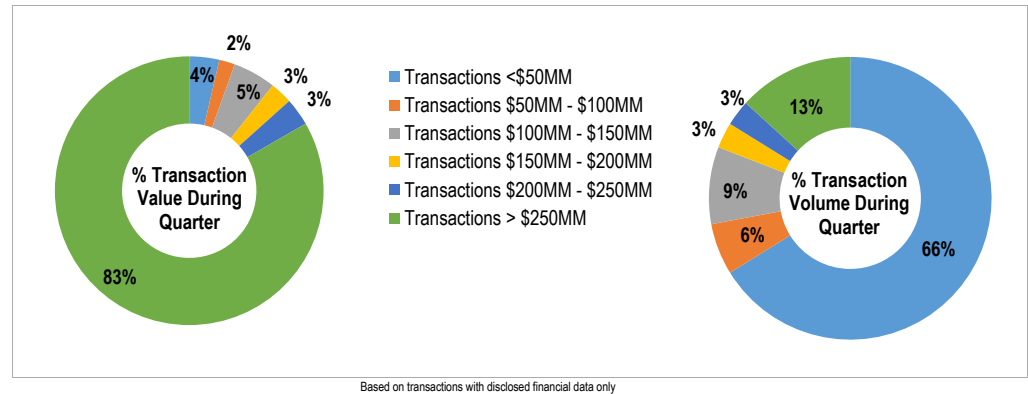
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	436
Number of Transactions with Disclosed Values	68
Transaction Value*	\$13,804.69
Average Transaction Value*	\$211.89
Median Transaction Value*	\$18.90

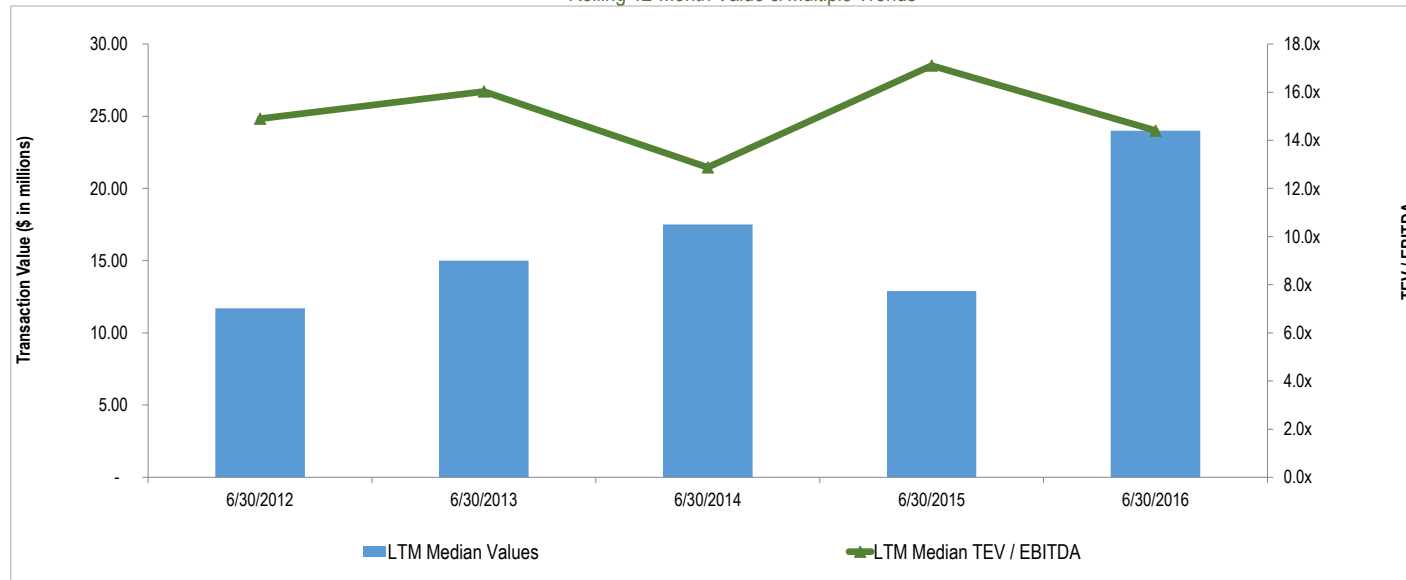
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## Transactions by Value & Volume



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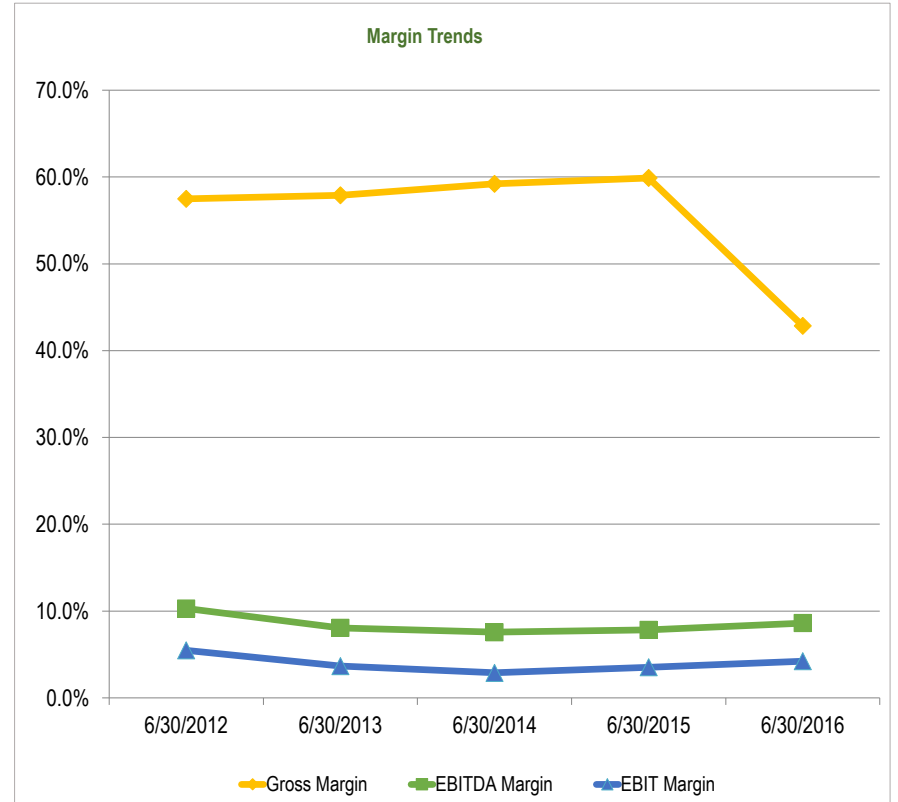
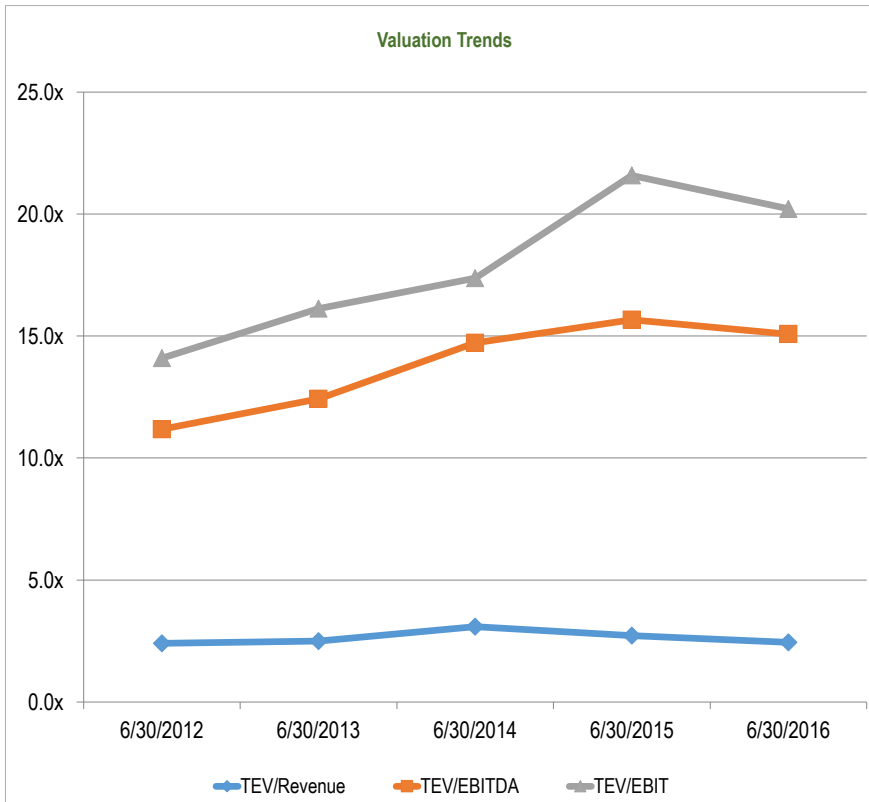
# Internet Software and Services

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$9,411	3.4x	63.0x	23.5x	TEV/Revenue	↓
Median	\$417	2.4x	15.1x	20.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	34.3%	5.0%	3.7%	Gross Margin	↓
Median	42.9%	8.6%	4.2%	EBITDA Margin	↑
				EBIT Margin	↑



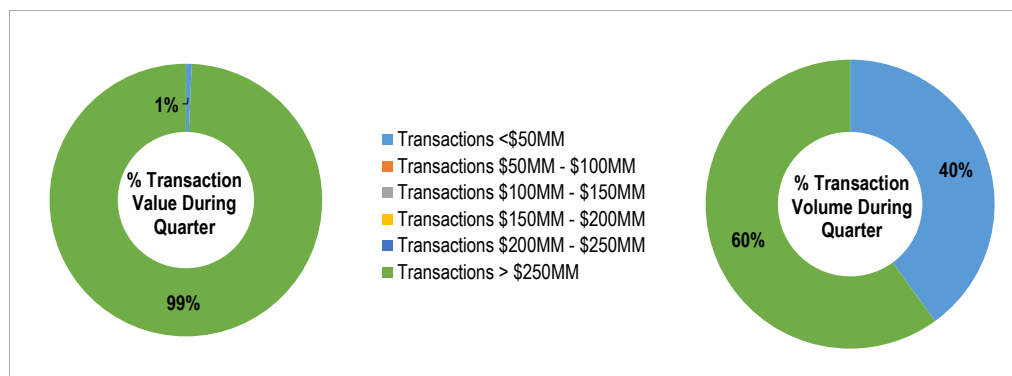
Source: S&P Capital IQ as of 7/22/2016 and PCE Proprietary Data

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

Transaction Volume	9
Number of Transactions with Disclosed Values	5
Transaction Value*	\$4,179.20
Average Transaction Value*	\$835.84
Median Transaction Value*	\$298.89

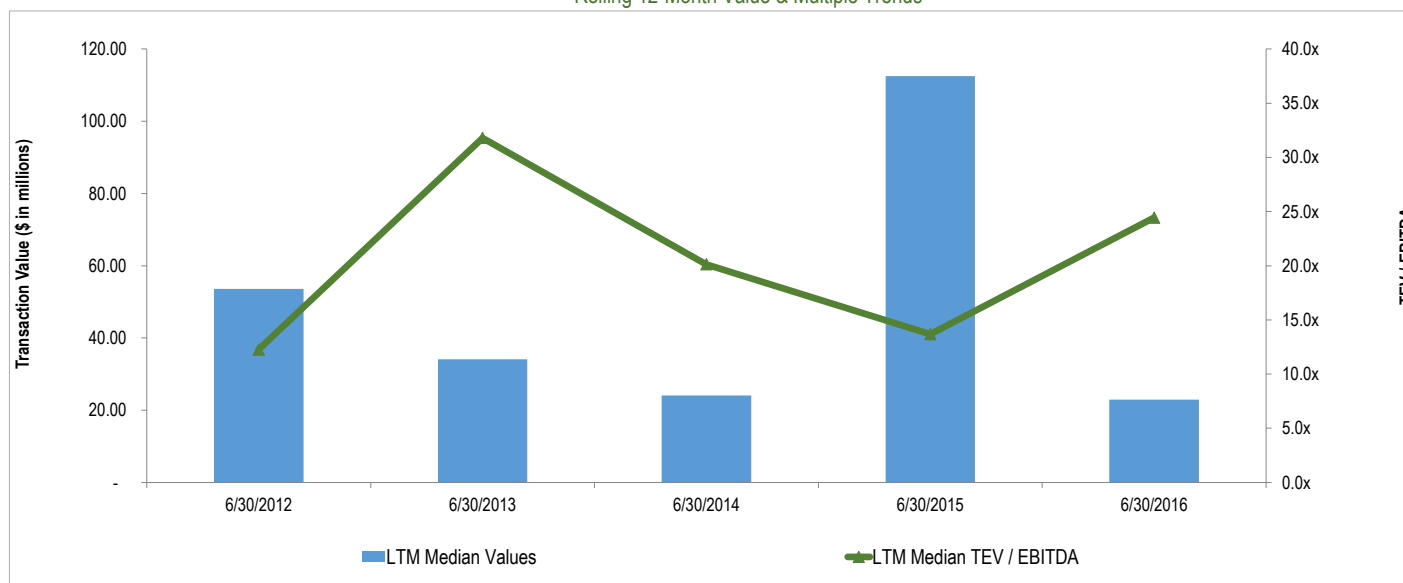
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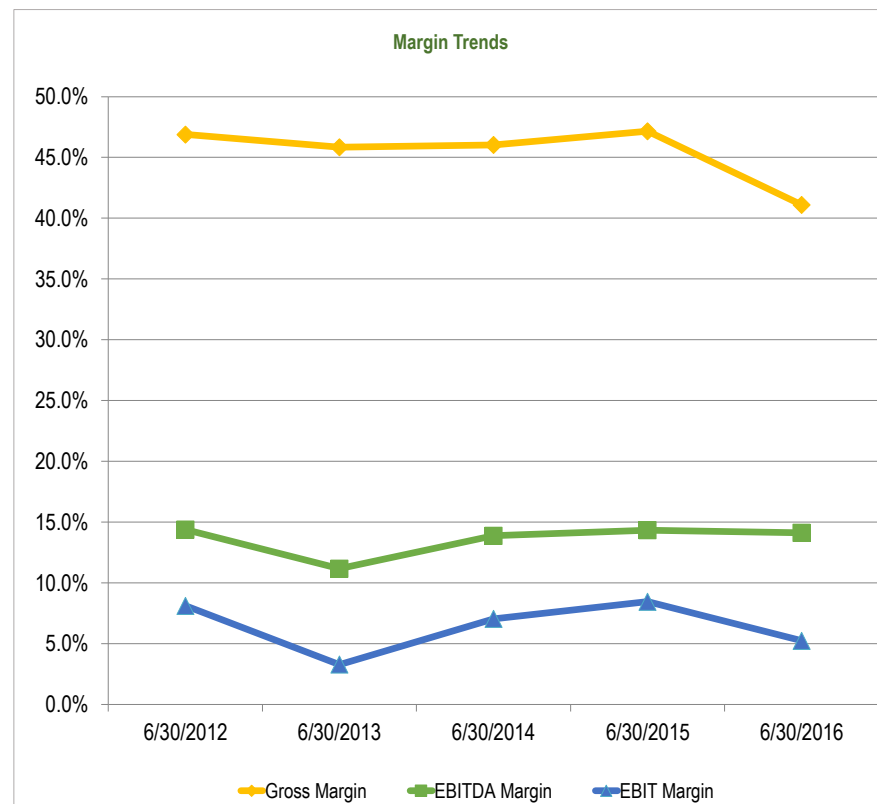
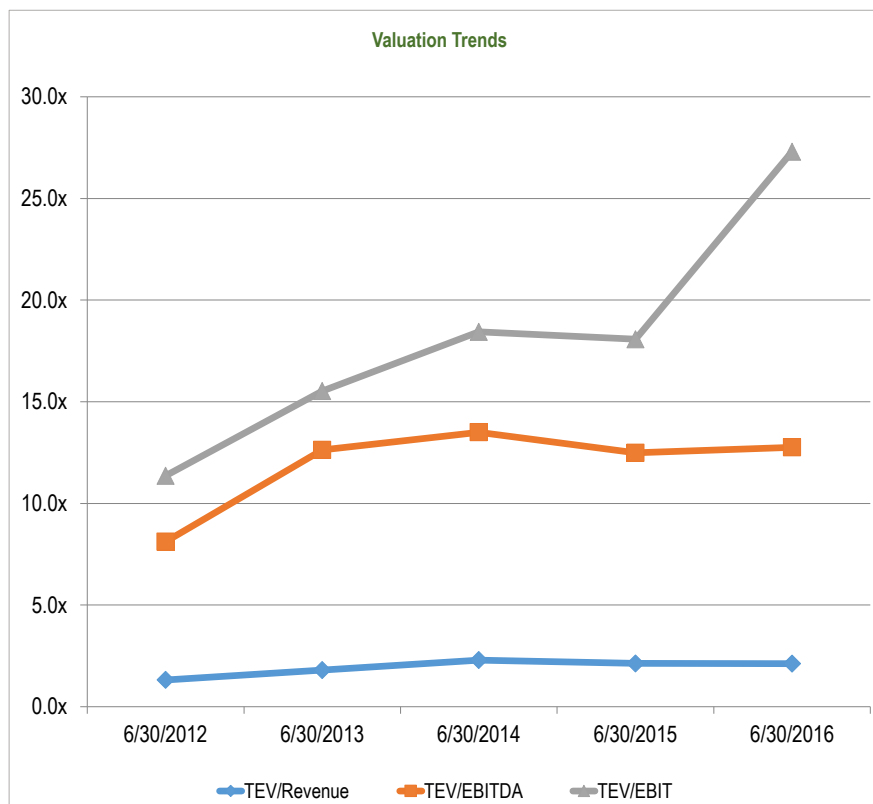
# Semiconductor Equipment and Semiconductors

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,629	2.5x	16.6x	31.4x	TEV/Revenue	↓
Median	\$1,212	2.1x	12.8x	27.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	43.6%	11.4%	5.0%	Gross Margin	↓
Median	41.1%	14.1%	5.2%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/22/2016 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:

- M&A (mergers & acquisitions)
- 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

Experienced in all market sectors, PCE has established several specialty practice areas:

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

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### PCE Locations

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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 dates only.

### Glossary

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