



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

4th Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$6.22 billion.
 - The largest transaction was the acquisition of Altera Corp. by Intel for \$18.22 billion.
 - The smallest transaction was the acquisition of Premiere Global Services, Inc. by Siris Capital Group, LLC for \$999.9 million.
- The public company industry median TEV/EBIT multiple is 18.0x.
- The public company industry median TEV/EBITDA multiple is 11.3x.

Key Trends

- The Communication & Electronic Equipment subsector's transaction volume is trending positively, while the Diversified & Wireless Telecom, Internet Software & Services, and Semi-conductor & Equipment subsector is trending negatively.
- The Internet Software & Services subsector's transaction volume was the largest at 80% of the industry over the past quarter.
- The Telecommunication industry is expected continue to grow in advancements, improving their networks, making them faster, and working on getting the most bandwidth to end users. They will continue to update the LTE network, until they can push more data through and are able to call it 5G.¹
- Looking into the future, everyday objects will be connected to the internet (IoT). We have already seen this in smartwatches, self-driving cars, and smart-homes. This improving technology is expected to add \$10 to \$15 trillion to the global GDP within the next 20 years.²

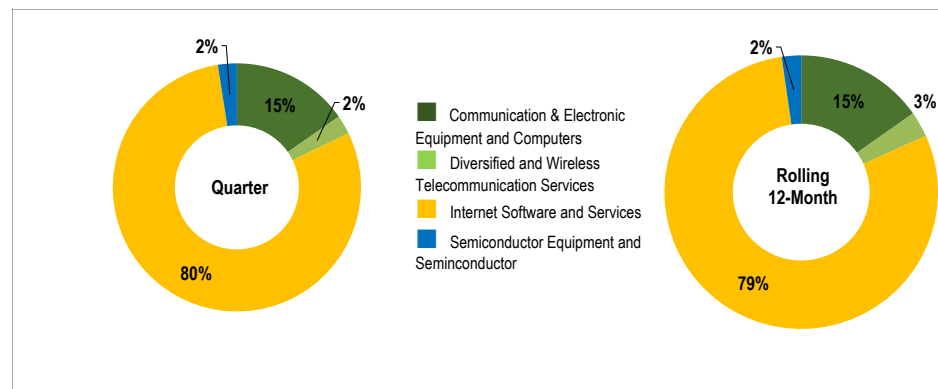
Source: ¹ Opinion: 4G to 5G - 2015 to 2016. (2016, January), TelecomsTech
² Internet of Things 2016: 6 Stats Everyone Should Know. (2016, January), The Motley Fool

Industry Trends During Quarter

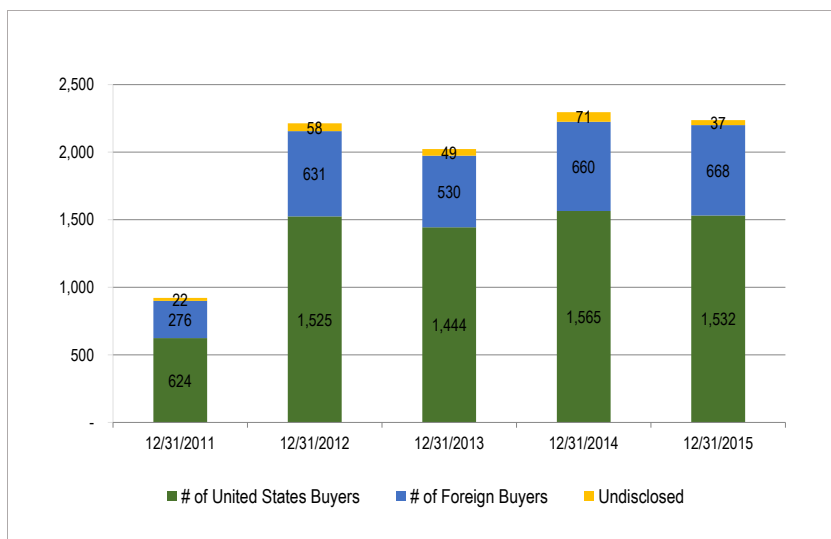
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↑	↑	↓
Diversified and Wireless Telecommunication Services	↓	↑	↑
Internet Software and Services	↓	↓	↓
Semiconductor Equipment and Semiconductors	↓	↑	↓

* 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	Altera Corp.	Intel Corporation	\$18,220.5
Semiconductor Equipment	Freescale Semiconductor, Ltd.	NXP Semiconductors NV	\$17,297.2
Internet Software & Services	SunGard Data Systems Inc.	Fidelity National Information Services, Inc.	\$9,875.0
Internet Software & Services	Dealertrack Technologies, Inc.	Cox Automotive, Inc.	\$4,552.0
Internet Software & Services	HomeAway, Inc.	Expedia Inc.	\$4,267.4
Internet Software & Services	HERE Holding Corporation	Daimler AG; Bayerische Motoren Werke Aktiengesellschaft; AUDI AG	\$3,069.3
Internet Software & Services	The Telx Group, Inc.	Digital Realty Trust Inc.	\$1,886.0
Internet Software & Services	Xoom Corporation	PayPal, Inc.	\$1,053.9
Diversified & Wireless telecom	ExteNet Systems, Inc.	Stonepeak Infrastructure Partners; Digital Bridge Holdings, LLC	\$1,000.0
Internet Software & Services	Premiere Global Services, Inc.	Siris Capital Group, LLC; Siris Partners II LP; et al.	\$999.9

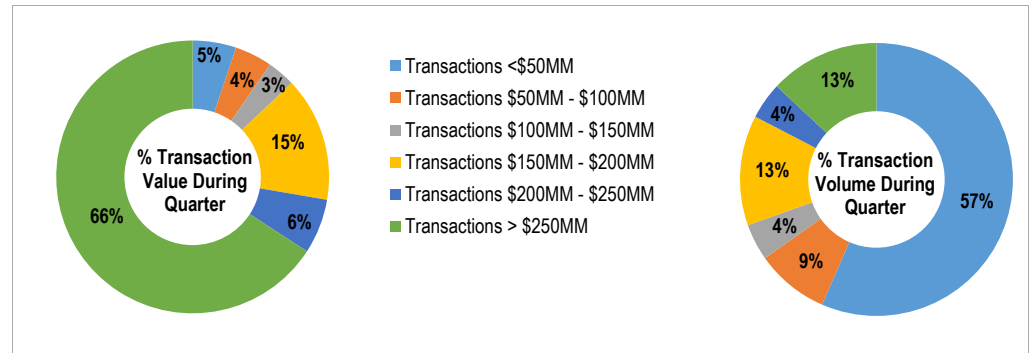
Source: S&P Capital IQ as of 1/20/2016 and PCE Proprietary Data

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

Transaction Volume	81
Number of Transactions with Disclosed Values	23
Transaction Value*	\$3,309.45
Average Transaction Value*	\$149.98
Median Transaction Value*	\$33.65

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

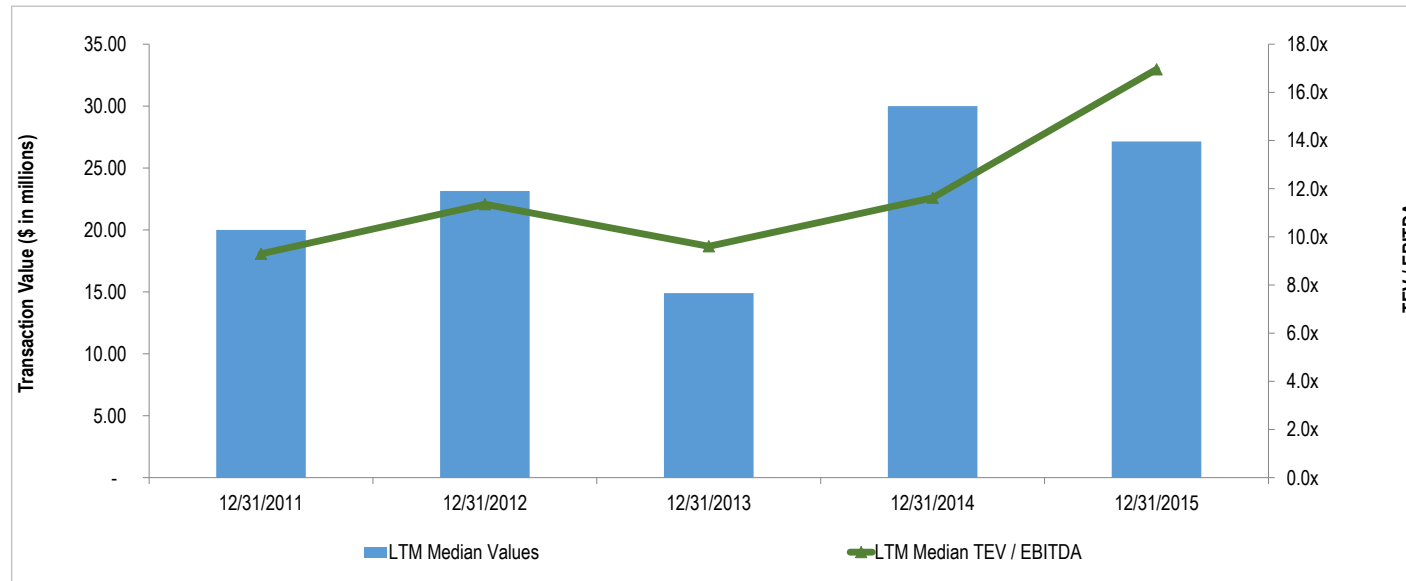
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

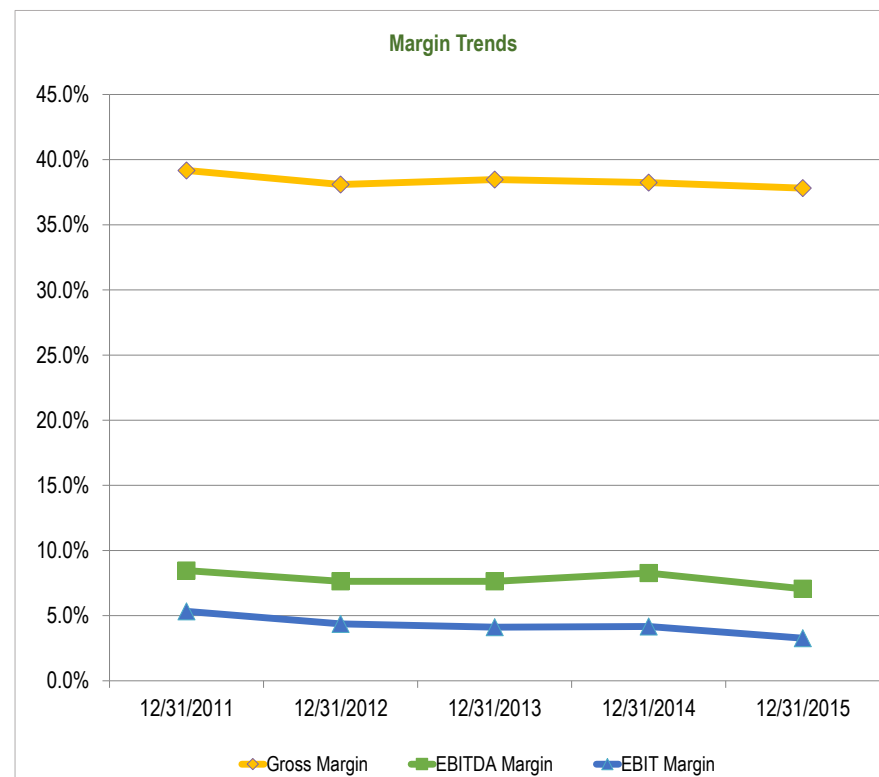
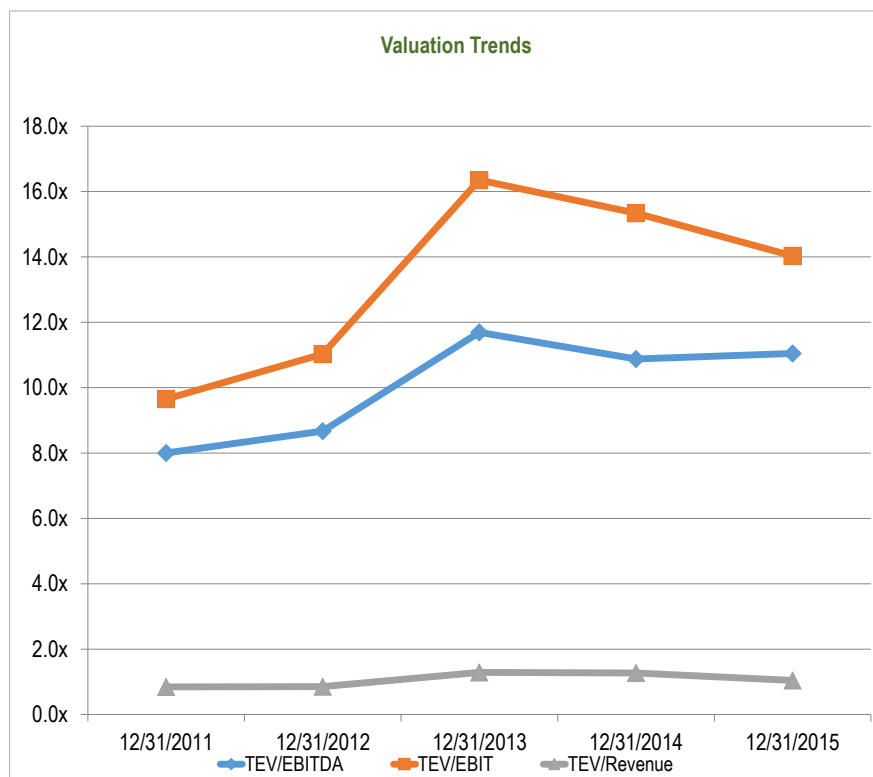


Source: S&P Capital IQ as of 1/20/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$12,543	5.0x	12.8x	29.2x	TEV/Revenue	↓
Median	\$702	2.0x	7.1x	21.6x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.6%	22.8%	3.5%	Gross Margin	↓
Median	55.3%	25.7%	9.0%	EBITDA Margin	↓
				EBIT Margin	↓



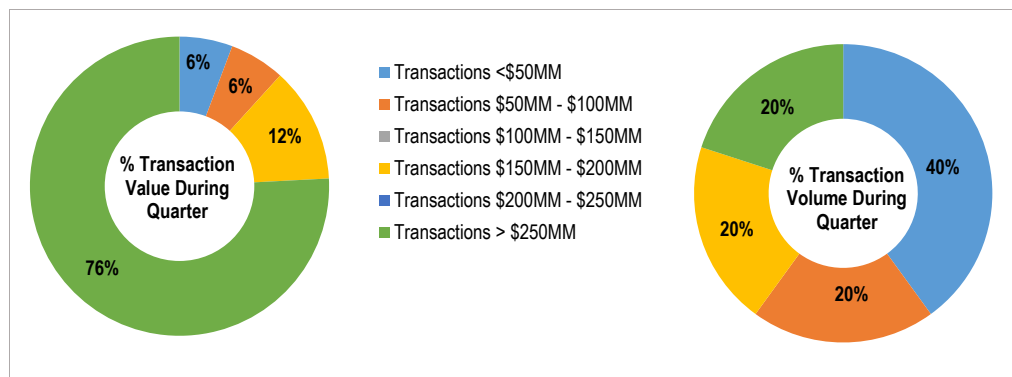
Source: S&P Capital IQ as of 1/20/2016 and PCE Proprietary Data

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

Transaction Volume	13
Number of Transactions with Disclosed Values	5
Transaction Value*	\$1,318.87
Average Transaction Value*	\$309.92
Median Transaction Value*	\$105.13

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

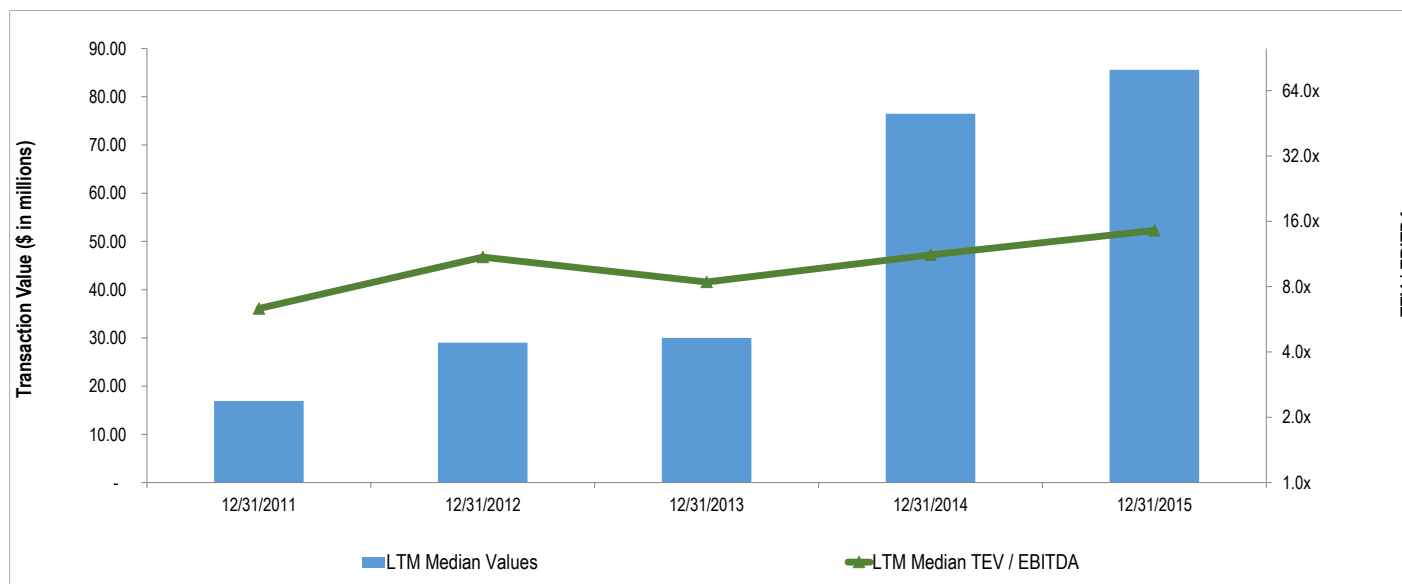
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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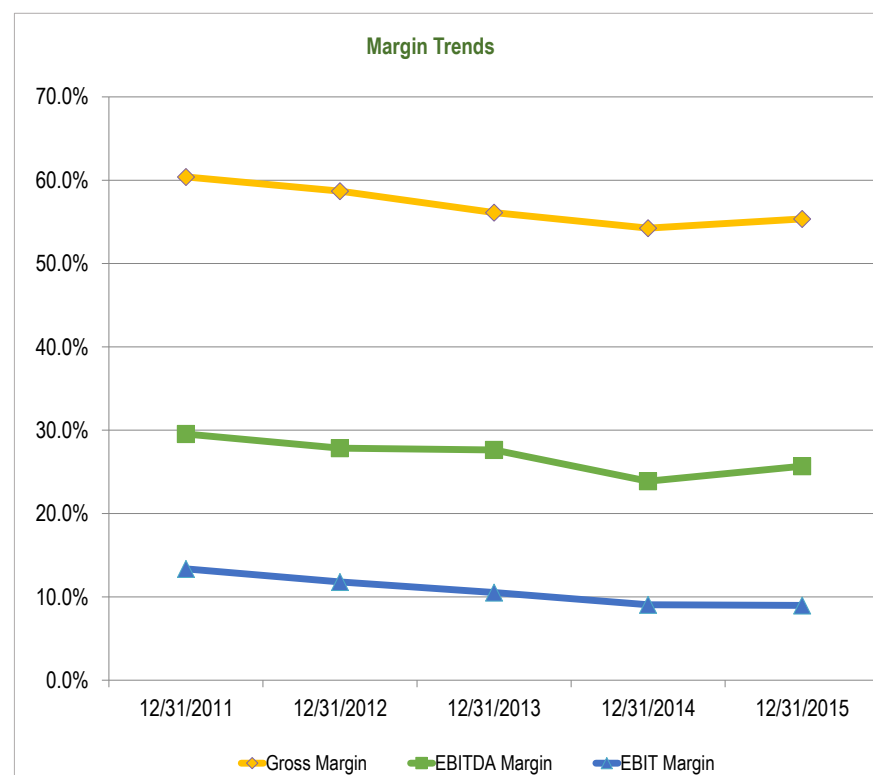
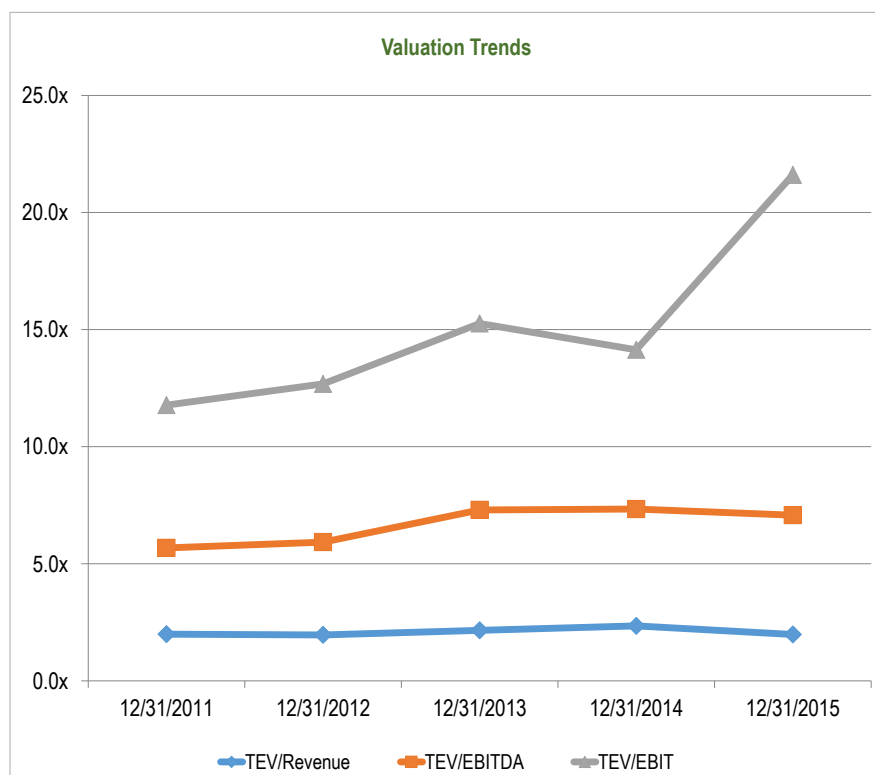
Diversified and Wireless Telecommunication Services

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$12,543	2.3x	15.5x	24.5x	TEV/Revenue	↓
Median	\$305	1.0x	11.0x	14.0x	TEV/EBITDA	↓
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.1%	22.8%	-2.9%	Gross Margin	↑
Median	55.3%	25.7%	3.3%	EBITDA Margin	↑
				EBIT Margin	↓



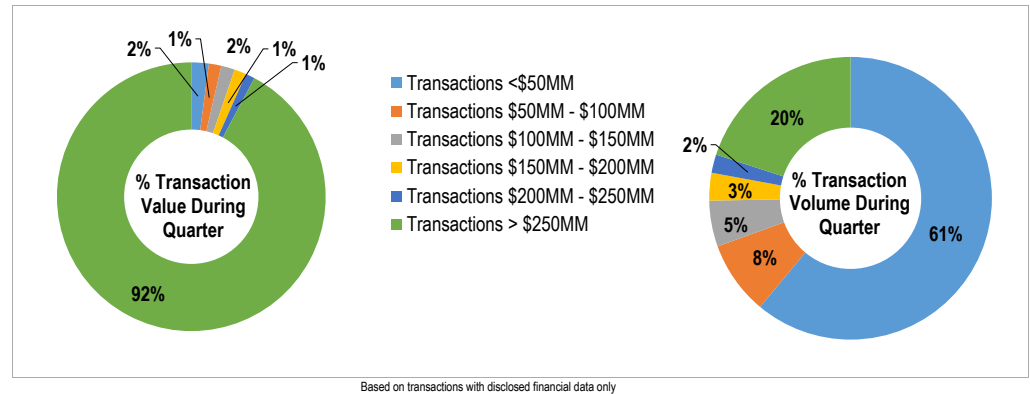
Source: S&P Capital IQ as of 1/20/2016 and PCE Proprietary Data

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

Transaction Volume	421
Number of Transactions with Disclosed Values	95
Transaction Value*	\$38,384.50
Average Transaction Value*	\$379.36
Median Transaction Value*	\$25.00

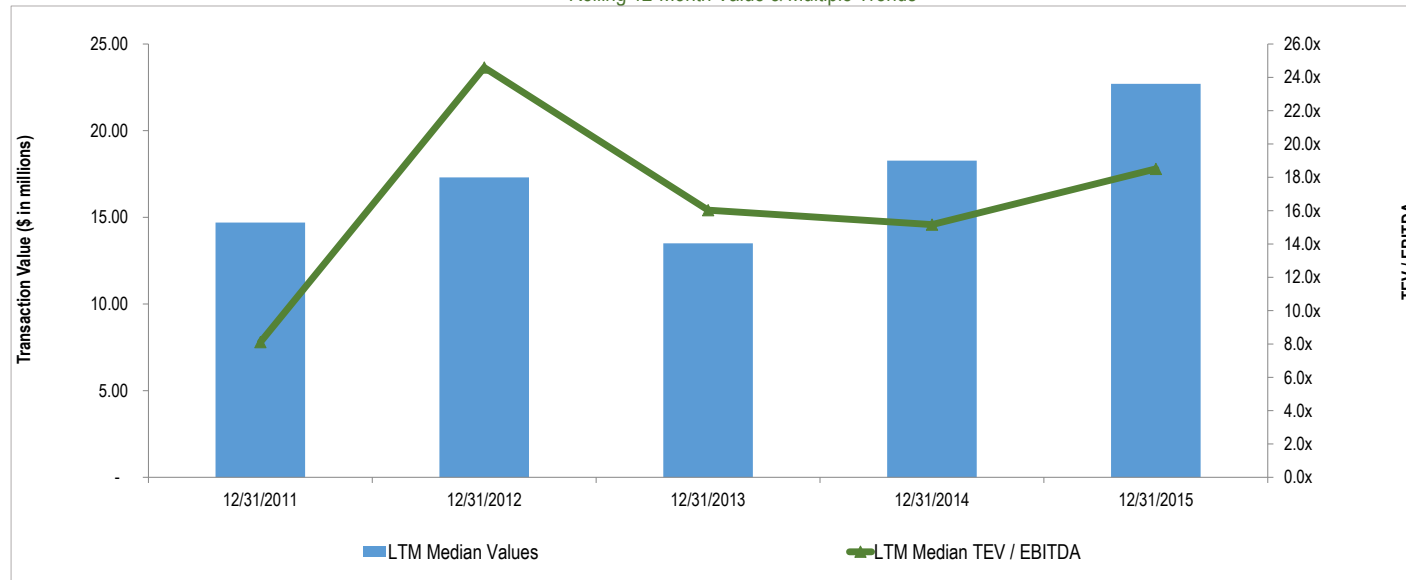
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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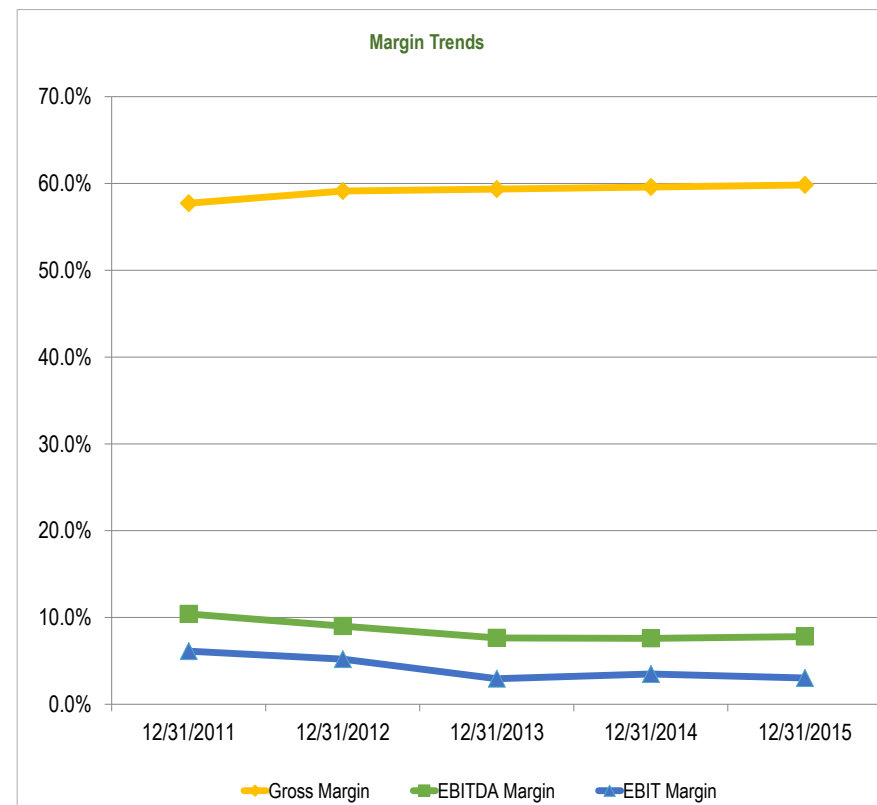
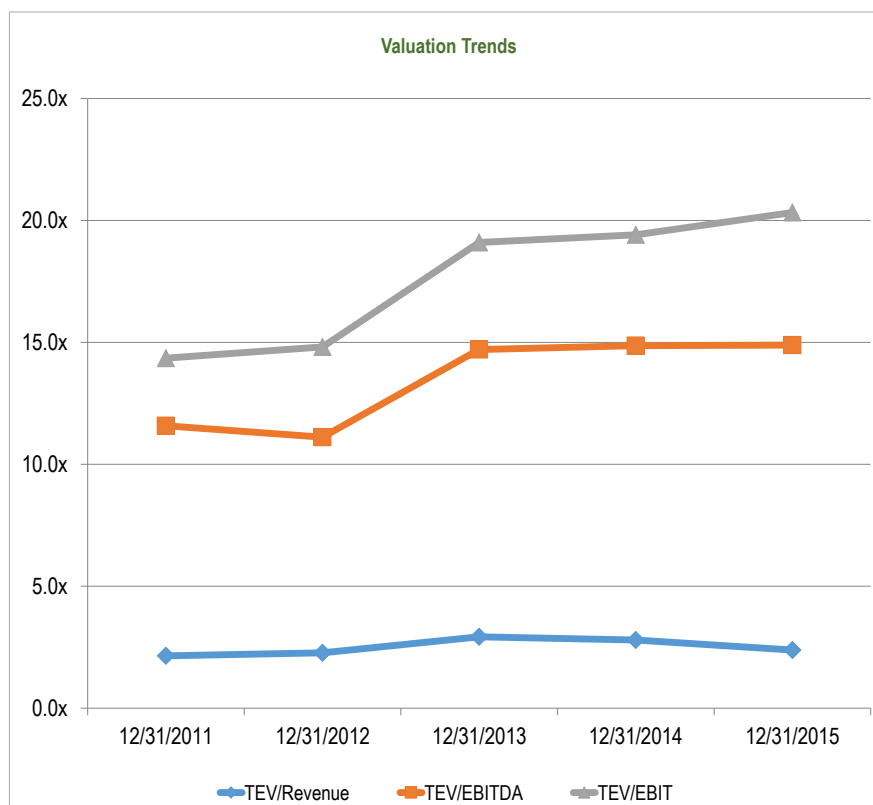
Internet Software and Services

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,617	4.3x	23.7x	31.2x	TEV/Revenue	↓
Median	\$679	2.4x	14.9x	20.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.2%	1.4%	-4.3%	Gross Margin	↓
Median	59.8%	7.8%	3.0%	EBITDA Margin	↑
				EBIT Margin	↑



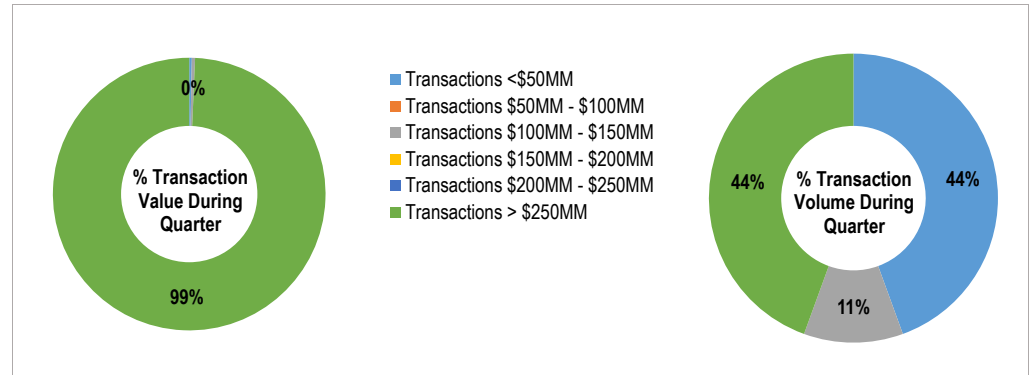
Source: S&P Capital IQ as of 1/20/2016 and PCE Proprietary Data

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

Transaction Volume	13
Number of Transactions with Disclosed Values	9
Transaction Value*	\$36,969.10
Average Transaction Value*	\$4,107.68
Median Transaction Value*	\$142.00

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

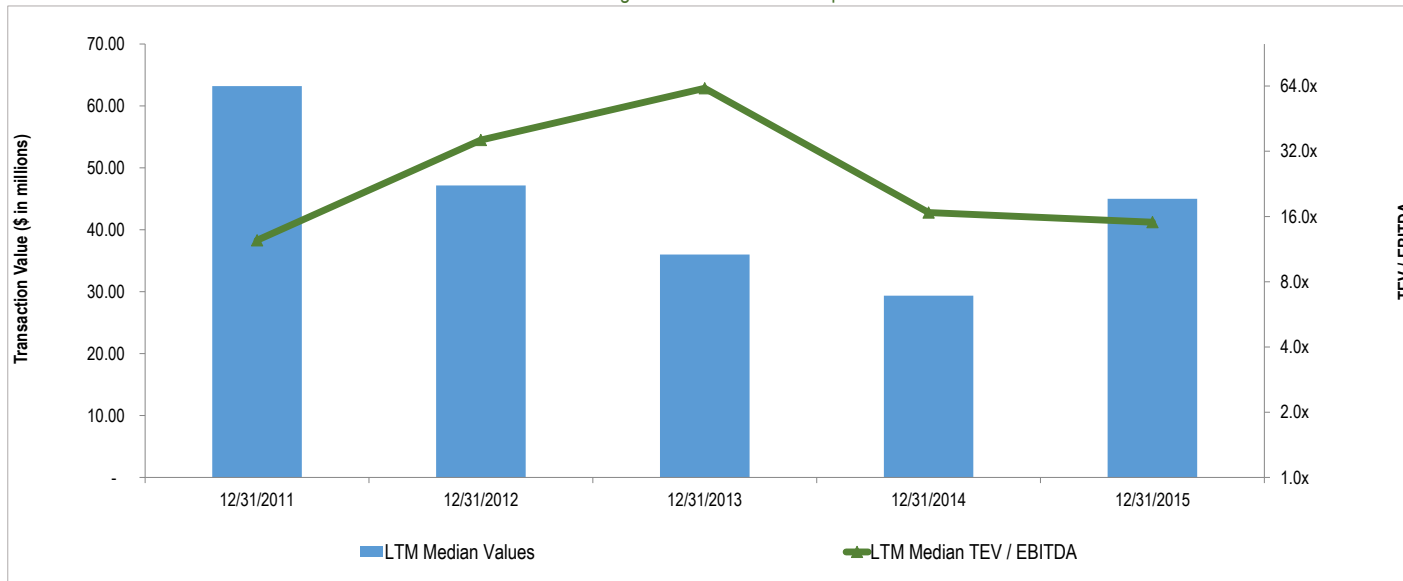
Transactions by Value & Volume



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Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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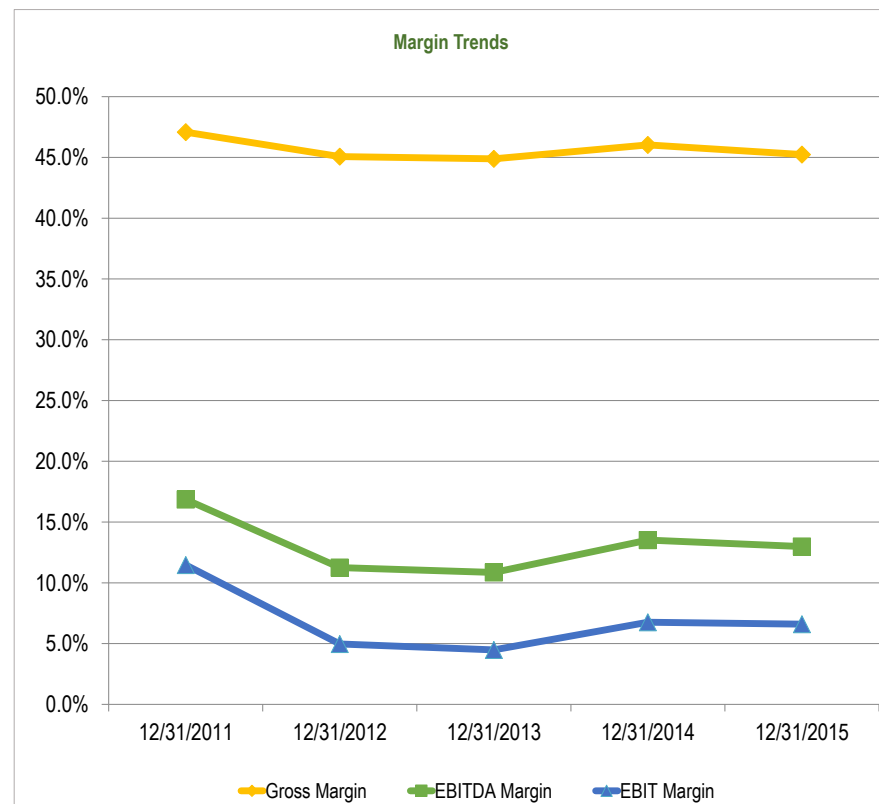
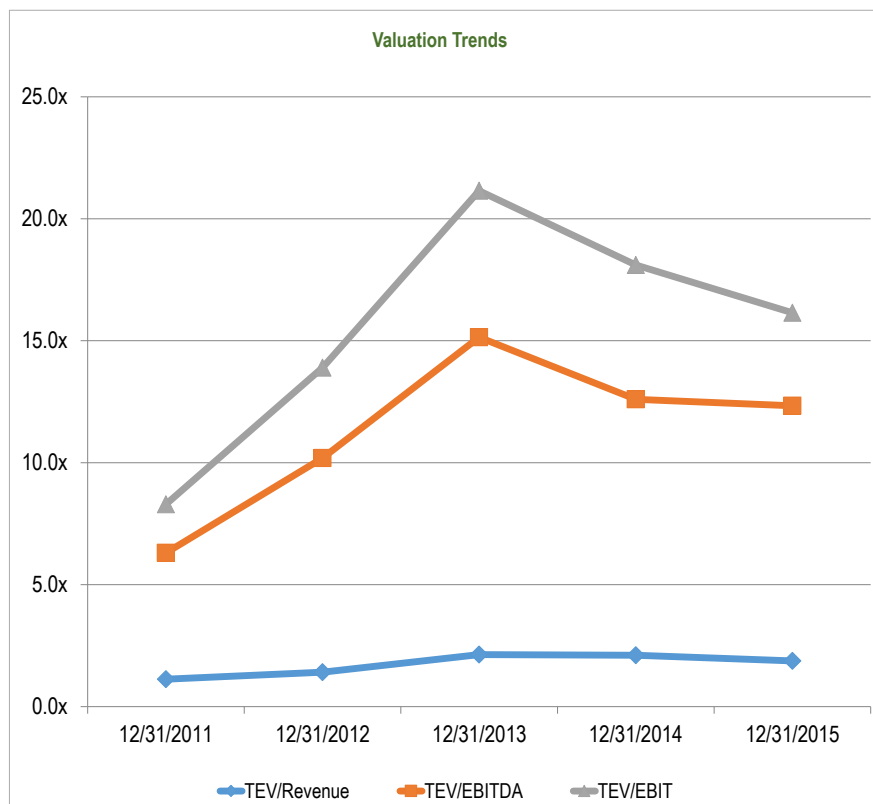
Semiconductor Equipment and Semiconductors

4th Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 12/31/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,966	2.6x	21.1x	28.5x	TEV/Revenue	↓
Median	\$1,002	1.9x	12.3x	16.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 12/31/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	41.3%	12.1%	4.6%	Gross Margin	↓
Median	45.2%	13.0%	6.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 1/20/2016 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

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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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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