



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

3rd Quarter 2015

Key Highlights

- The average value of the top ten transactions was \$2,539.5 mm
 - The largest transaction was the acquisition of Informatica Corporation, Inc. by Microsoft for \$5,343.1 mm
 - The smallest transaction was the acquisition of Agro Fresh Inc., by Boulevard Acquisition Corporation for \$861.8 mm
- The public company industry median TEV/EBIT multiple is 19.3x.
- The public company industry median TEV/EBITDA multiple is 11.3x.

Key Trends

- The Semi-conductor & Equipment subsector's transaction volume is trending positively, while the Diversified & Wireless Telecom, Internet Software & Services, and Communication & Electronic Equipment subsectors are trending negatively.
- The Internet Software & Services subsector's transaction volume was the largest at 81% of the industry over the past quarter.
- Large industry players in the Silicon Valley/West Coast have had a dominant impact on IT industry and continue to guide the industry buy using M&A to acquire any new technology or potential future competitor.
- IT security & software will remain a top priority for companies M&A strategies as store increasing amounts of data on weak or unsecured cloud networks that can have a potentially crushing effect on the business if their internal systems go down. ¹

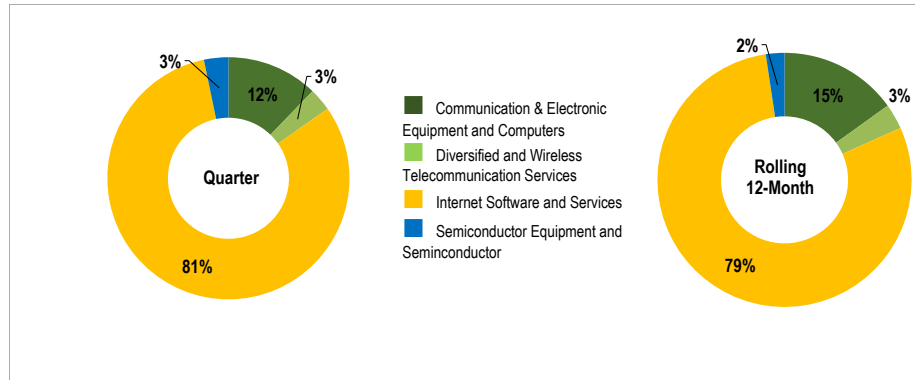
Source: ¹ Top Industry Trends to watch in 2015. (October, 2015), GE Capital, Retrieved October 14, 2015 from: <http://www.americas.gecapital.com/insight-and-ideas/capital-perspectives/top-industry-trends-to-watch-in-2015>

Industry Trends During Quarter

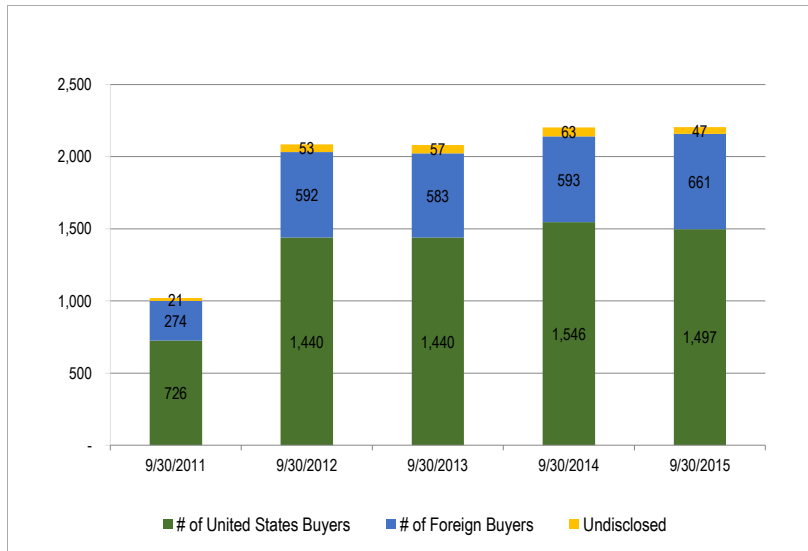
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↓	↑
Diversified and Wireless Telecommunication Services	↓	↓	↑
Internet Software and Services	↓	↓	↑
Semiconductor Equipment and Semiconductors	↑	↑	↑

* 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
Internet Software & Services	Informatica Corporation	Microsoft Corporation; Permira Advisers Ltd.; Canada Pension Plan Investment Board; Salesforce Ventures	\$5,343.1
Internet Software & Services	iGATE Corporation	Caggemini North America, Inc.	\$4,600.8
Comm & Electronic Equipment	TE Connectivity Ltd., Telecom, Enterprise and Wireless Business	CommScope Holding Company, Inc.	\$3,059.0
Comm & Electronic Equipment	Danaher Corp., Communications Business	NetScout Systems, Inc.	\$2,619.4
Internet Software & Services	Advent Software, Inc.	SS&C Technologies Holdings, Inc.	\$2,585.7
Internet Software & Services	SNL Financial LC	McGraw Hill Financial, Inc.	\$2,225.0
Diversified & Wireless telecom	Fibertech Networks, L.L.C.	Lightower Fiber Networks LLC	\$1,900.0
Internet Software & Services	Virtustream, Inc.	EMC Corporation	\$1,200.0
Diversified & Wireless telecom	Quanta Fiber Networks, Inc.	Crown Castle International Corp.	\$1,000.0
Internet Software & Services	AgroFresh Inc.	Boulevard Acquisition Corp. (nka:AgroFresh Solutions, Inc.)	\$861.8

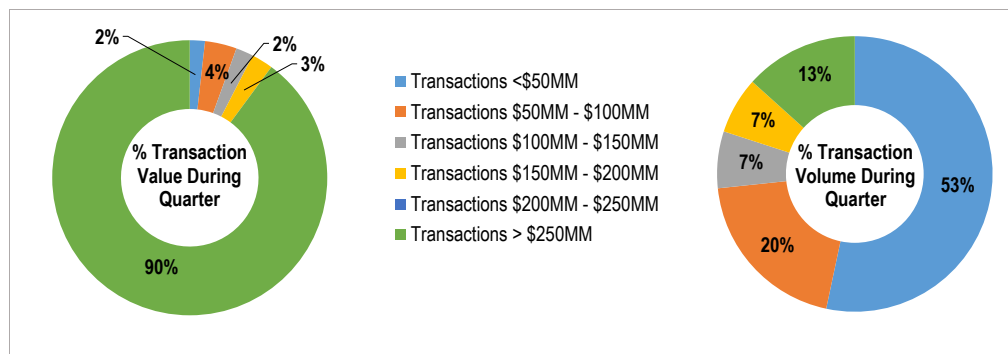
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	60
Number of Transactions with Disclosed Values	15
Transaction Value*	\$6,316.93
Average Transaction Value*	\$424.45
Median Transaction Value*	\$50.00

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

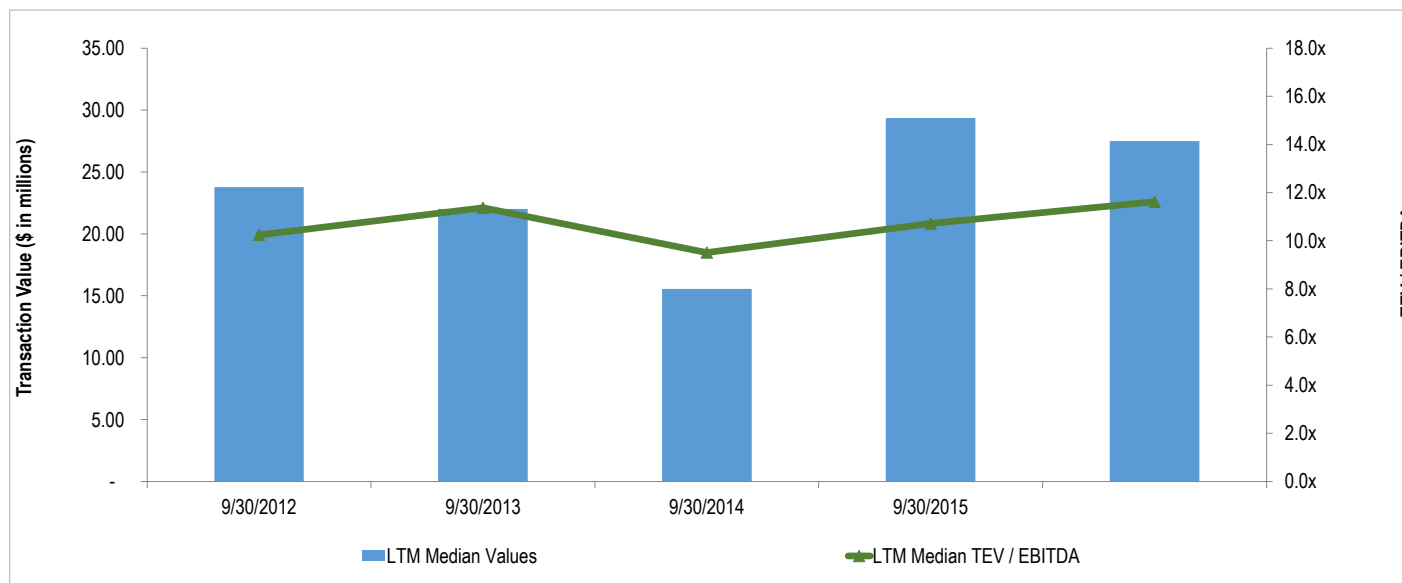
Transactions by Value & Volume



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 11/3/2015 and PCE Proprietary Data

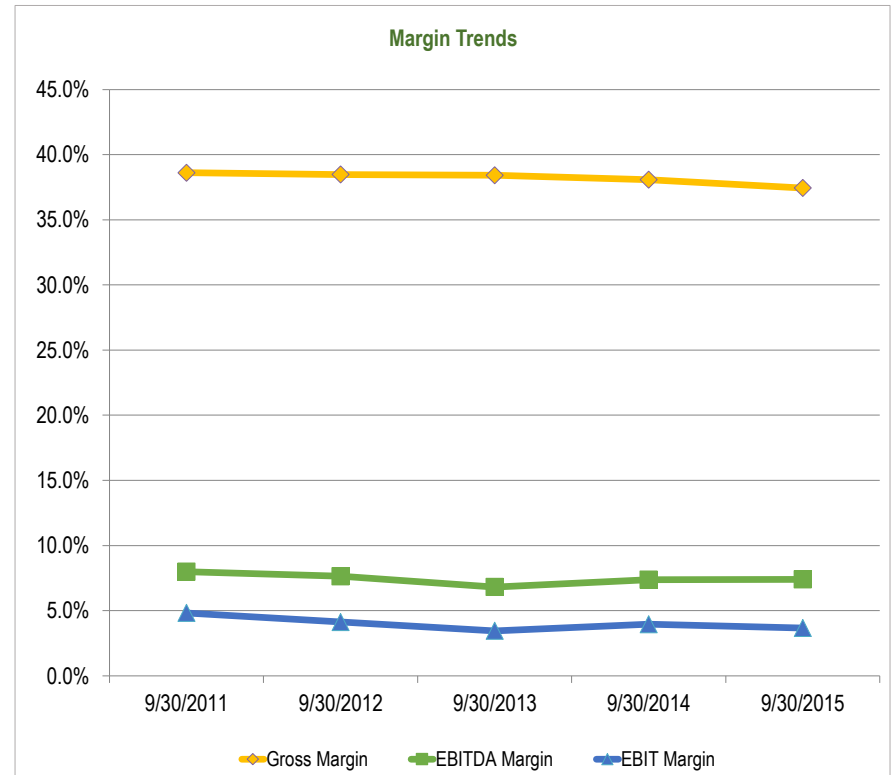
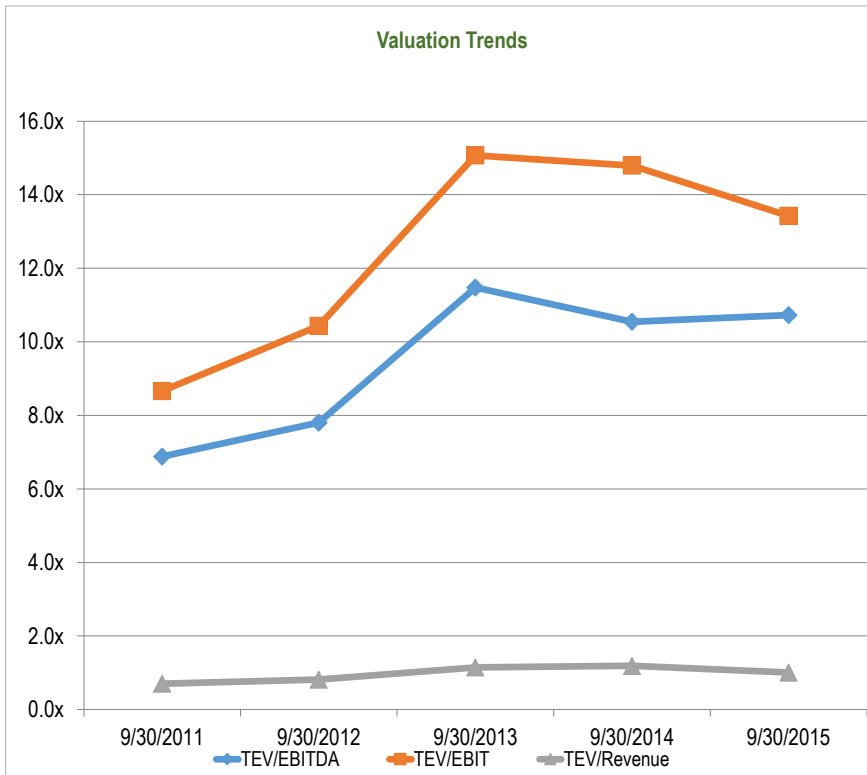
Communication & Electronic Equipment and Computers

3rd Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$11,681	5.5x	10.5x	34.6x	TEV/Revenue	↓
Median	\$646	2.1x	7.6x	21.5x	TEV/EBITDA	↑
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.4%	21.5%	3.6%	Gross Margin	↓
Median	57.8%	23.2%	7.7%	EBITDA Margin	↑
				EBIT Margin	↓



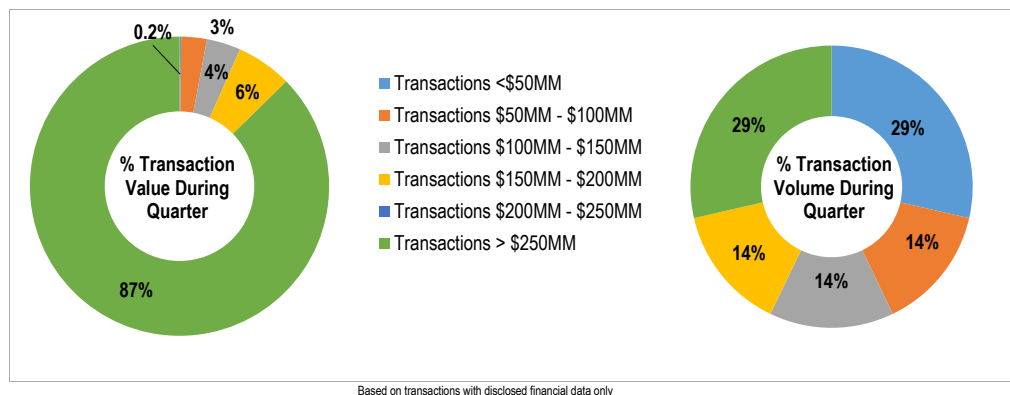
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	15
Number of Transactions with Disclosed Values	7
Transaction Value*	\$3,320.00
Average Transaction Value*	\$474.29
Median Transaction Value*	\$122.16

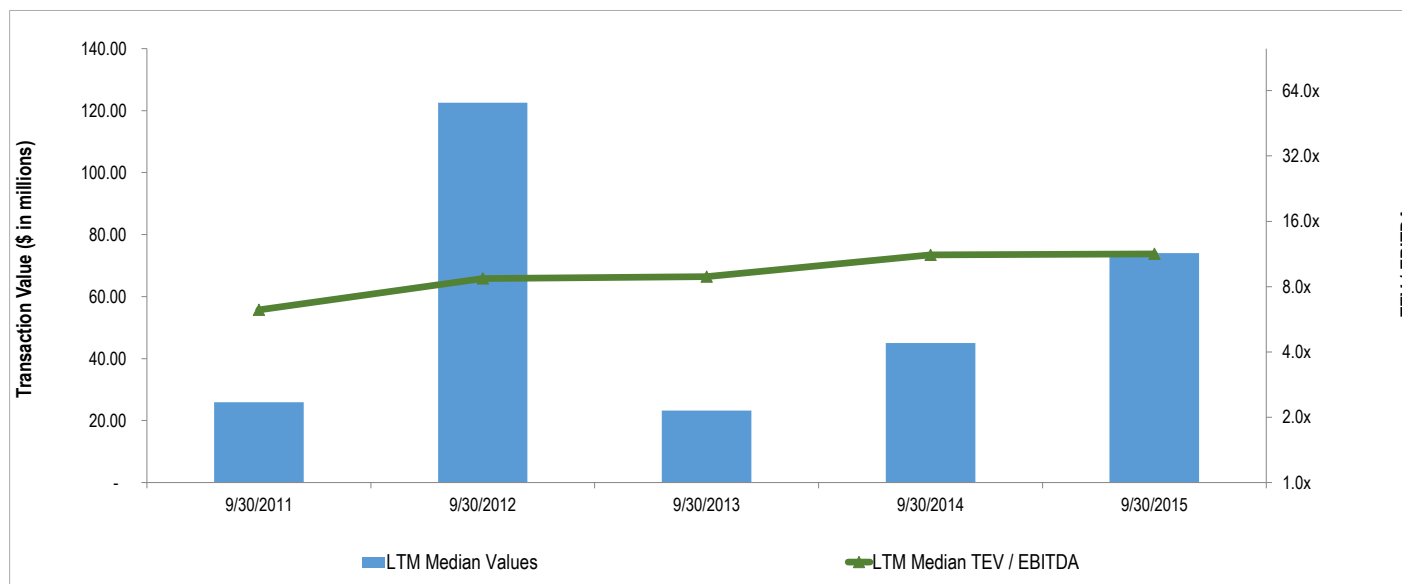
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Transactions by Value & Volume



Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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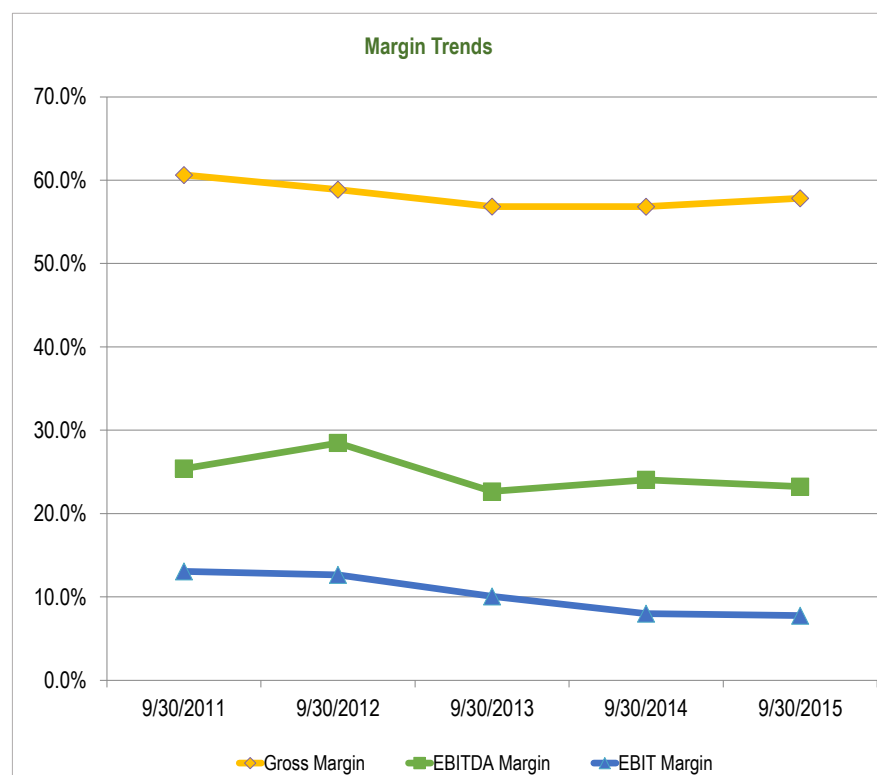
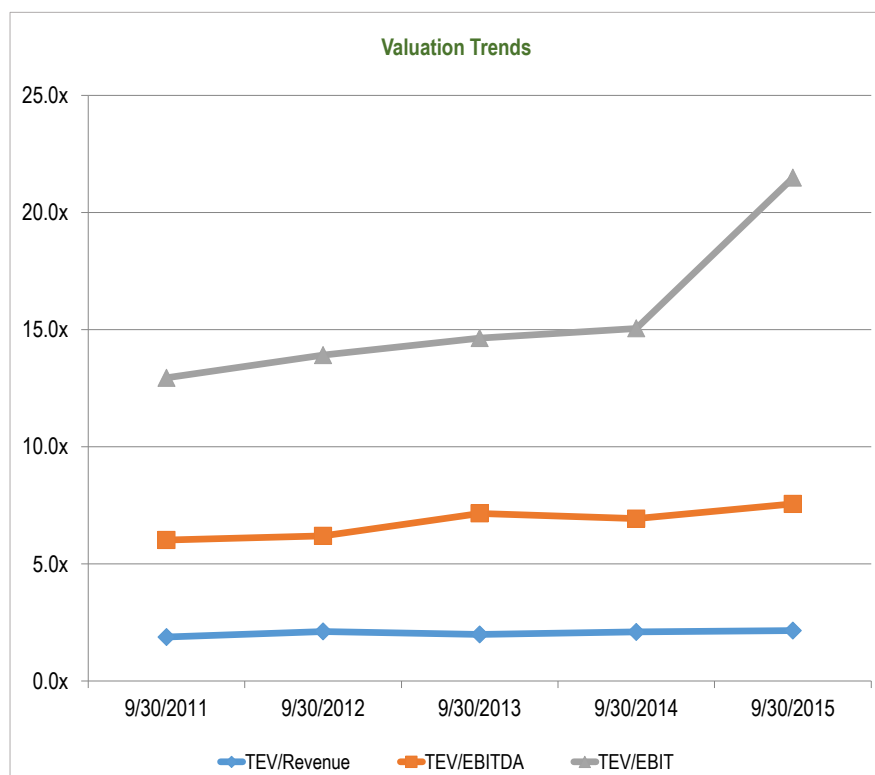
Diversified and Wireless Telecommunication Services

3rd Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$11,681	2.1x	13.5x	22.5x	TEV/Revenue	↑
Median	\$319	1.0x	10.7x	13.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.4%	21.5%	-2.3%	Gross Margin	↑
Median	57.8%	23.2%	3.7%	EBITDA Margin	↓
				EBIT Margin	↓



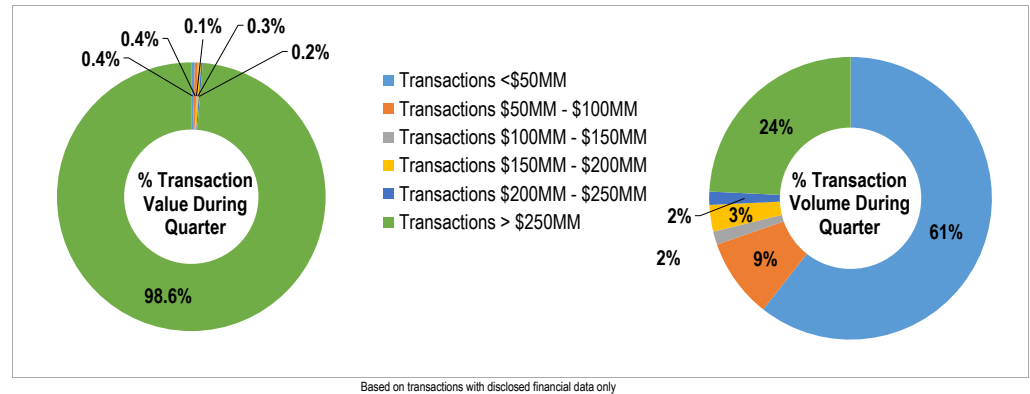
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	400
Number of Transactions with Disclosed Values	66
Transaction Value*	\$117,762.04
Average Transaction Value*	\$1,911.83
Median Transaction Value*	\$29.00

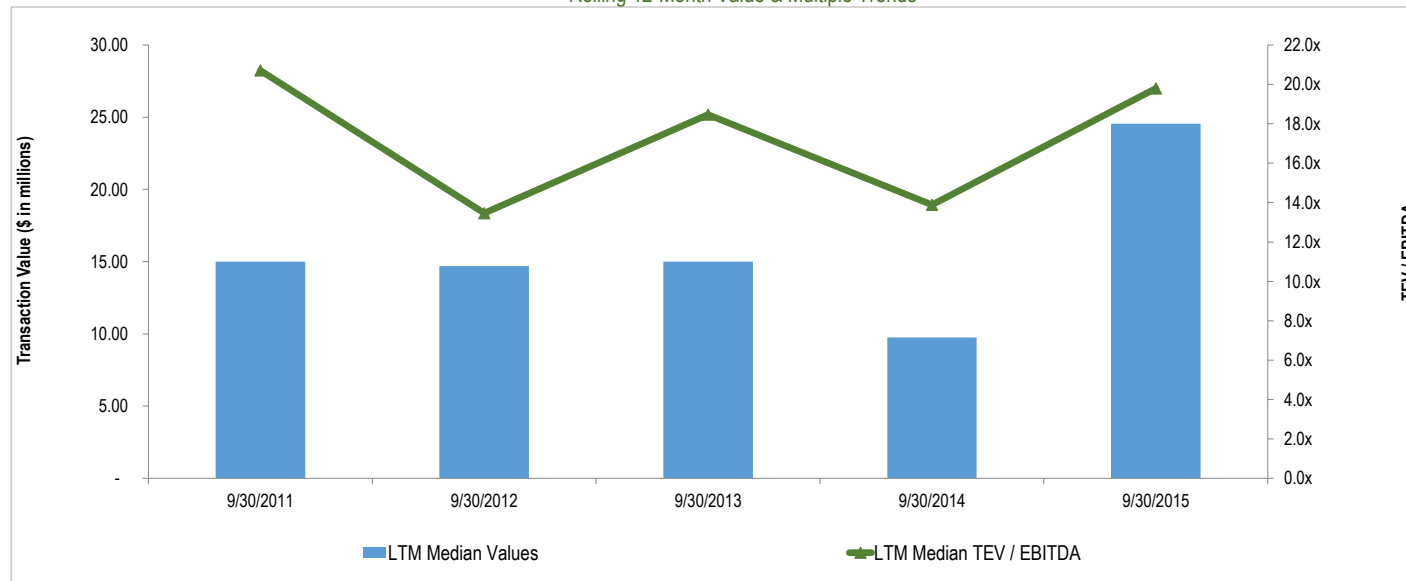
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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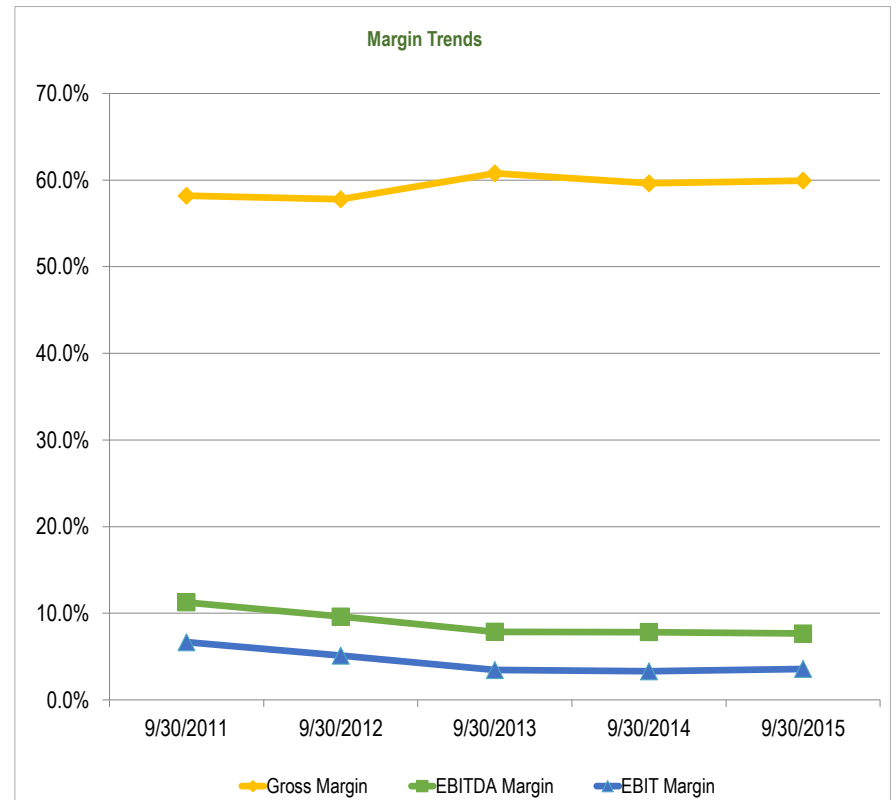
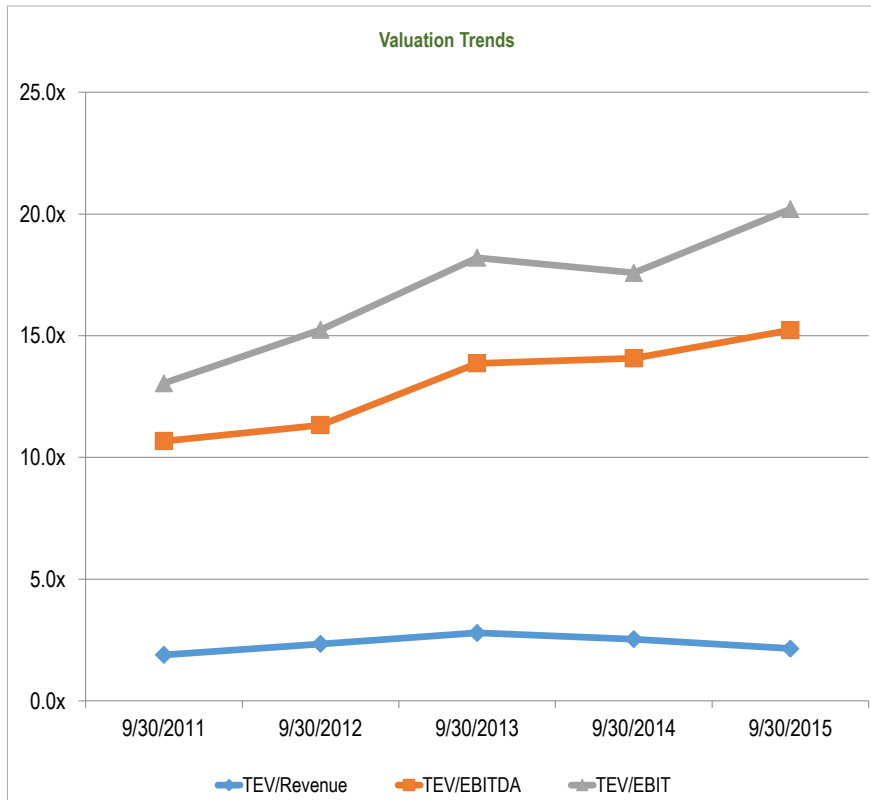
Internet Software and Services

3rd Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$8,266	4.8x	23.2x	31.4x	TEV/Revenue	↓
Median	\$670	2.1x	15.2x	20.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.3%	0.6%	-5.1%	Gross Margin	↓
Median	59.9%	7.7%	3.6%	EBITDA Margin	↑
				EBIT Margin	↑



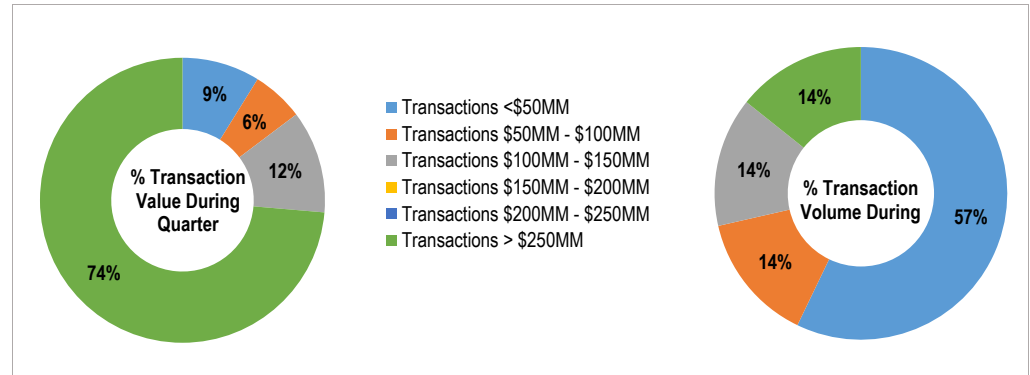
Source: S&P Capital IQ as of 11/3/2015 and PCE Proprietary Data

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

Transaction Volume	16
Number of Transactions with Disclosed Values	7
Transaction Value*	\$1,108.21
Average Transaction Value*	\$163.20
Median Transaction Value*	\$33.50

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

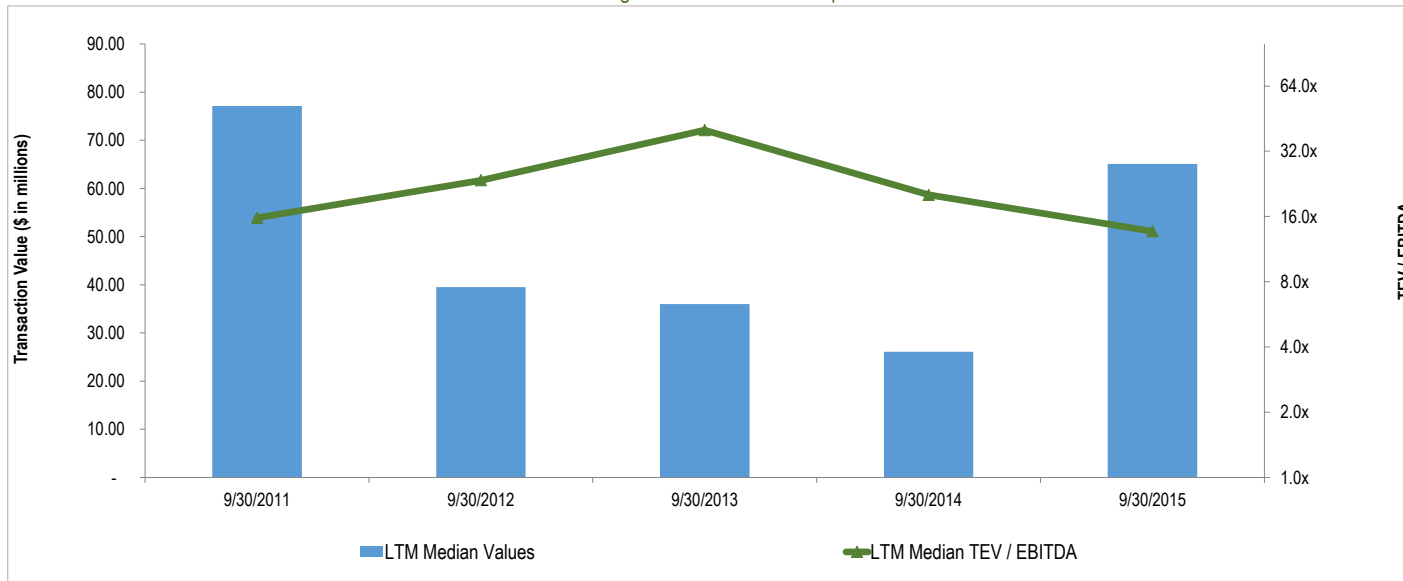
Transactions by Value & Volume



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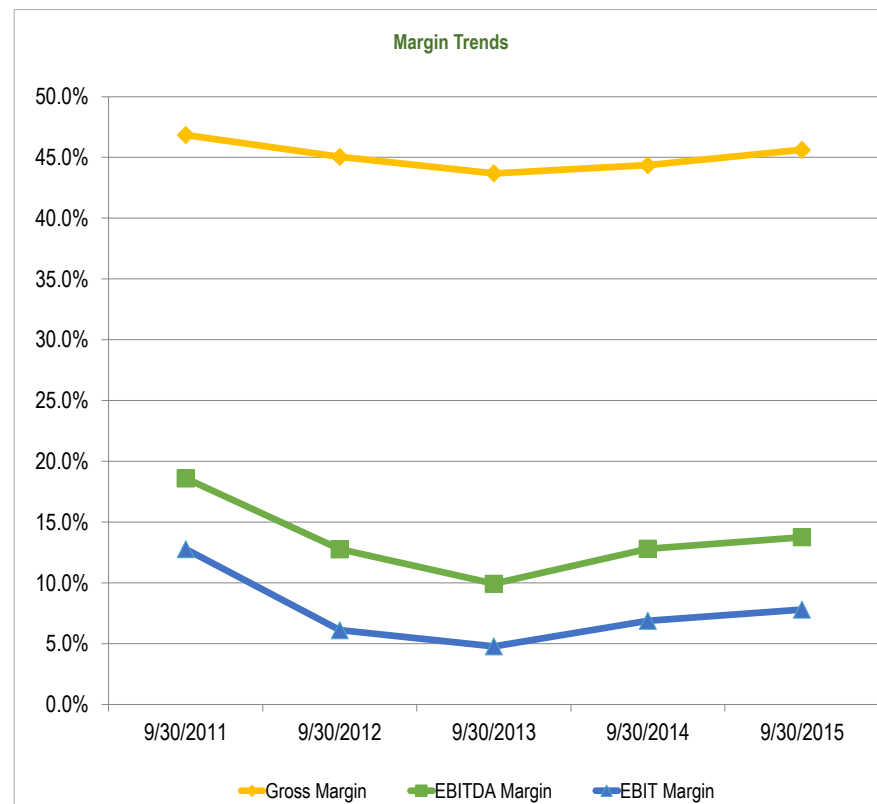
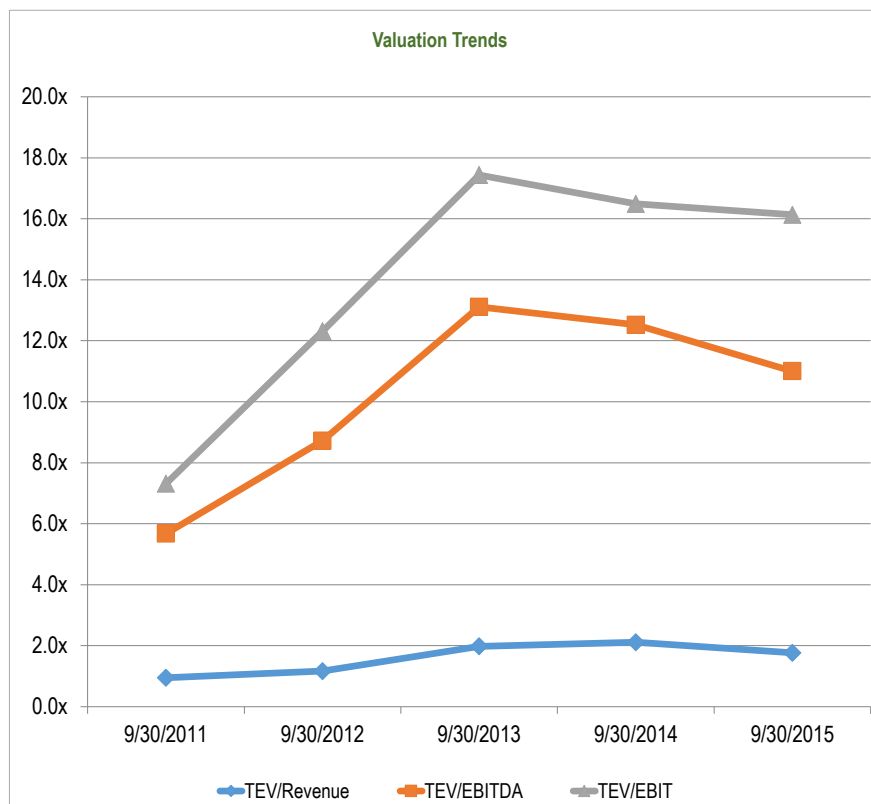
Semiconductor Equipment and Semiconductors

3rd Quarter 2015

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 9/30/2015 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$4,915	2.4x	22.6x	23.4x	TEV/Revenue	↓
Median	\$950	1.8x	11.0x	16.1x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 9/30/2015 Trends	
	Gross Profit	EBITDA	EBIT		
Average	40.8%	11.9%	4.8%	Gross Margin	↑
Median	45.6%	13.8%	7.8%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 11/3/2015 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