



# PCE Industry Report

---

IT & Telecom



# Middle Market M&A Summary

## IT & Telecom

---

1st Quarter 2017

### Key Highlights

- The average value of the top ten transactions was \$3.8 billion.
- The largest transaction was the acquisition of Linear Technology Corporation by Analog Devices, Inc. for \$15.7 billion.
- The smallest transaction was the acquisition of FPL Tel, LLC, FPL FiberNet, LLC and NextEra Fibernet, LLC by Crown Castle International Corp. for \$1.5 billion.
- The public company industry median TEV/EBIT multiple is 21.2x.
- The public company industry median TEV/EBITDA multiple is 14.3x.

### Key Trends

- Transaction volume in the Semiconductor Equipment & Semiconductors subsector is seeing flat transaction volume, Diversified & Wireless Telecommunication and Internet Software & Services Service subsector is seeing increased transaction volume, while the Communication & Electronic Equipment subsector transaction volume is trending negatively.
- According to Gartner, it is estimated there are over 6 billion internet of things devices (IoT) in the world and this is expected to grow to over 20 billion by 2020 as the top tech companies are continually reinvesting their profits in R&D.
- Telecom revenues are falling in most regions as communication trends shift to messaging apps (WhatsApp, Viber, iMessage) and international voice calling (Skype) and away from traditional telecom plans. This has led to an increase in M&A activity as telecom companies seek partners to offer bundled services of telephone, television, internet, and wireless.
- The FCC, headed by Chairman Ajit Pai, is considering the dismantling of net neutrality rules as investment in broadband infrastructure has declined since implementation of net neutrality, and it was the first time this has happened since the recession.
- AT&T announced the acquisition of Straight Path Communications, Inc. which is one of the largest holders of the FCC approved frequencies for 5G. It is the second such announced acquisition AT&T has entered in 2017 to strengthen its position in the 5G market. Verizon currently remains the largest player in the 5G rollout expected to occur over the next few years.

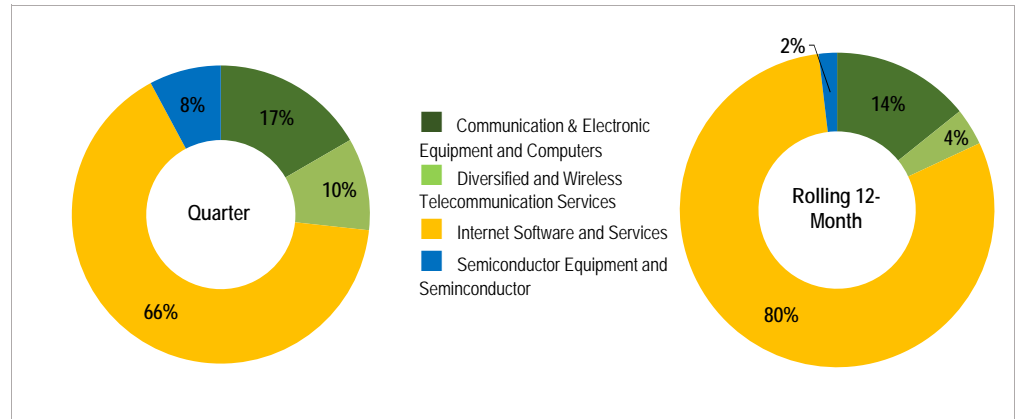
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

## Industry Trends During Quarter

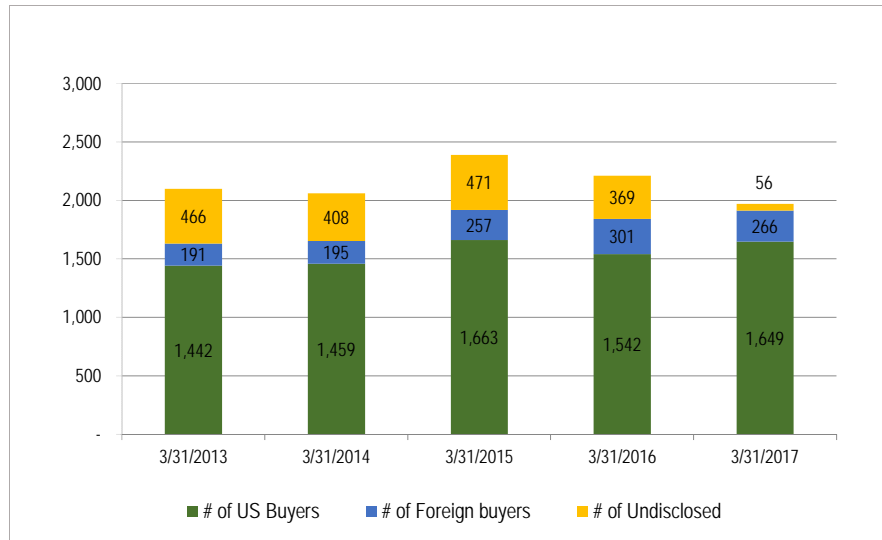
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↑	↑
Diversified and Wireless Telecommunication Services	↑	↑	↑
Internet Software and Services	↑	↓	↑
Semiconductor Equipment and Semiconductors	→	↓	↑

\* 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



Source: S&P Capital IQ as of 4/25/2017 and PCE Proprietary Data

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

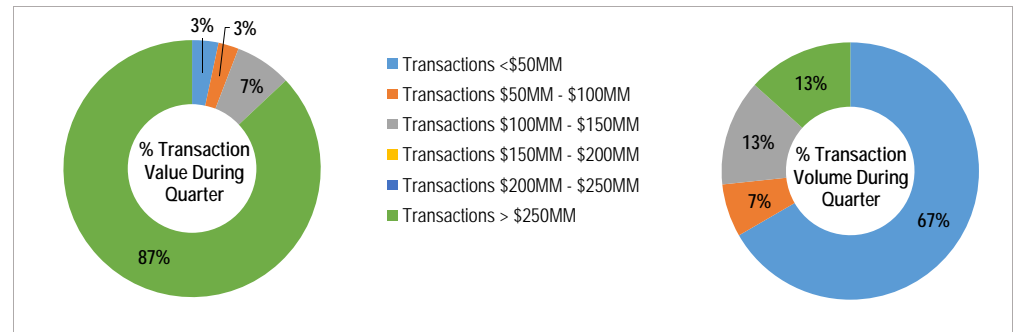
Sector	Target	Buyer	Transaction Value
Semiconductor Equipment & Semiconductors	Linear Technology Corporation	Analog Devices, Inc.	\$15,657.8
Internet Software & Services	Mentor Graphics Corporation	Siemens Industry, Inc.	\$4,544.0
Internet Software & Services	AppDynamics, Inc.	Cisco Systems, Inc.	\$4,032.8
Semiconductor Equipment & Semiconductors	Intersil Corporation	Renesas Electronics Corporation	\$3,090.6
Communication & Electronic Equipment	AVT Technology Solutions LLC and TS DivestCo B.V.	Tech Data Corporation	\$2,593.1
Internet Software & Services	Infor, Inc.	Koch Equity Development, LLC	\$2,000.0
Diversified & Wireless	XO Communications, LLC	Verizon Communications Inc.	\$1,800.0
Internet Software & Services	Citrix Systems, Inc., GoTo Family Of Products	LogMeIn, Inc.	\$1,784.8
Internet Software & Services	Enterprise Content Division	Open Text Corporation	\$1,620.0
Diversified & Wireless	FPL TEL, LLC, FPL FiberNet, LLC and NextEra FiberNet, LLC	Crown Castle International Corp.	\$1,500.0

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

Transaction Volume	60
Number of Transactions with Disclosed Values	15
Transaction Value*	\$3,405.63
Average Transaction Value*	\$227.04
Median Transaction Value*	\$22.18

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

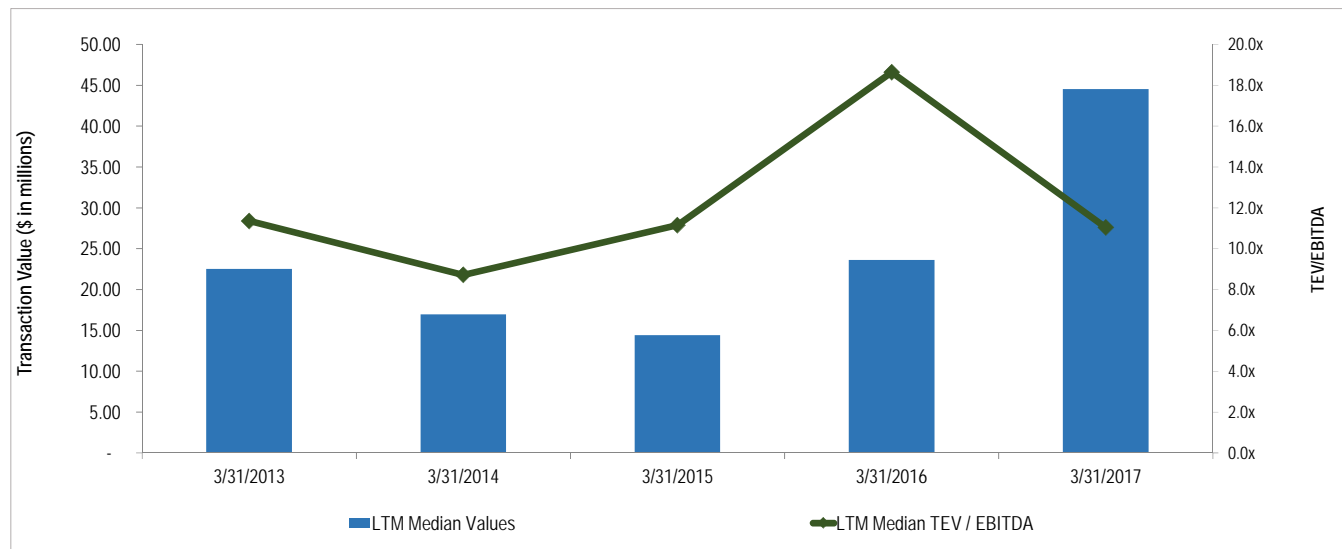
## Transactions by Value & Volume



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 4/17/2017 and PCE Proprietary Data

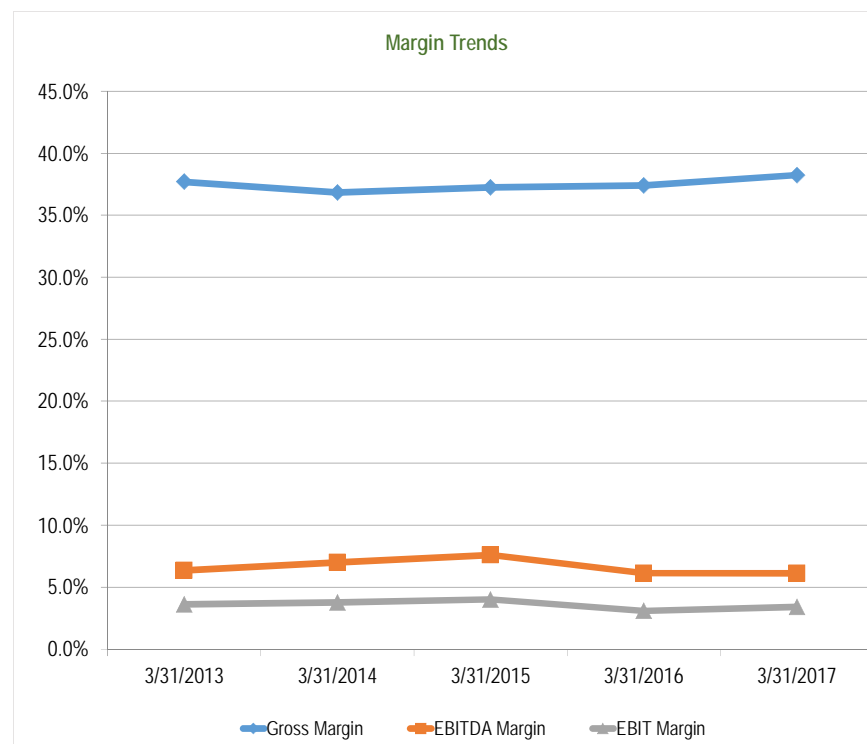
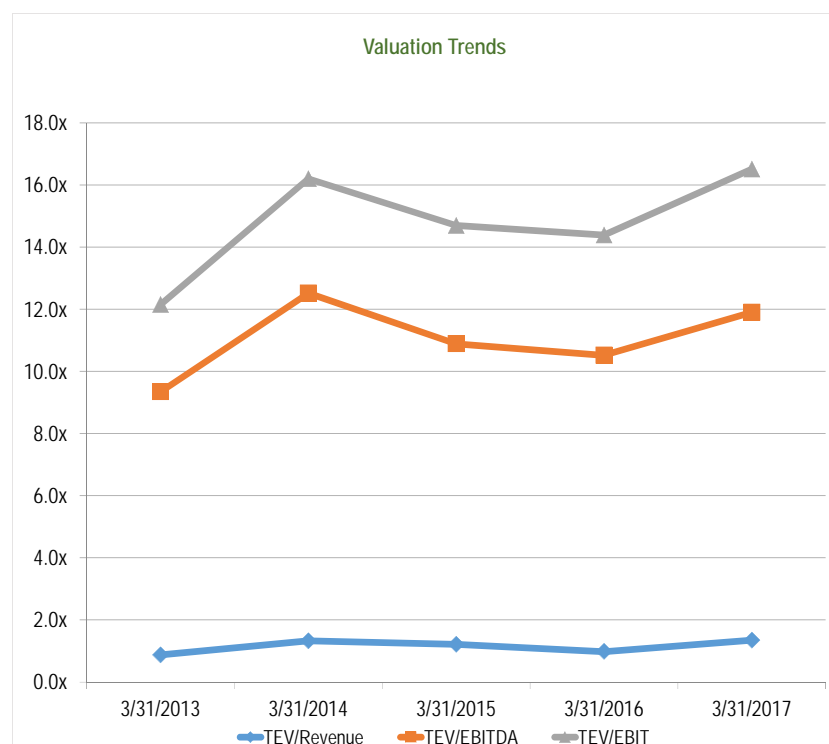
# Communication & Electronic Equipment and Computers

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$6,833	4.2x	17.5x	23.5x	TEV/Revenue	↑
Median	\$343	1.4x	11.9x	16.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	37.0%	0.4%	-2.8%	Gross Margin	↑
Median	38.2%	6.1%	3.4%	EBITDA Margin	↓
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data

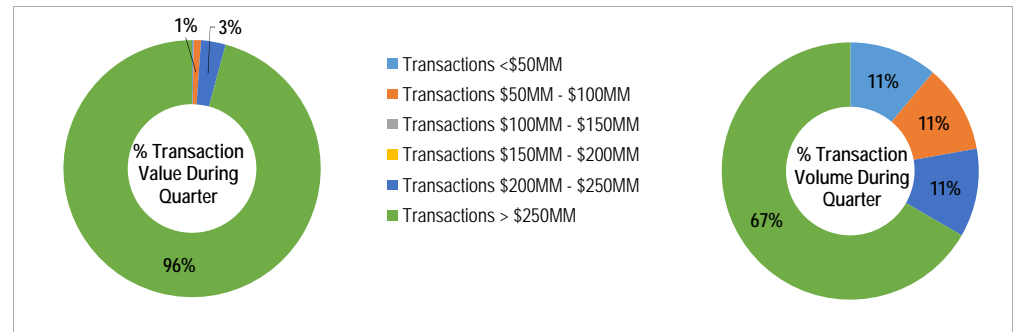


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	21
Number of Transactions with Disclosed Values	9
Transaction Value*	\$6,887.31
Average Transaction Value*	\$765.26
Median Transaction Value*	\$650.00

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

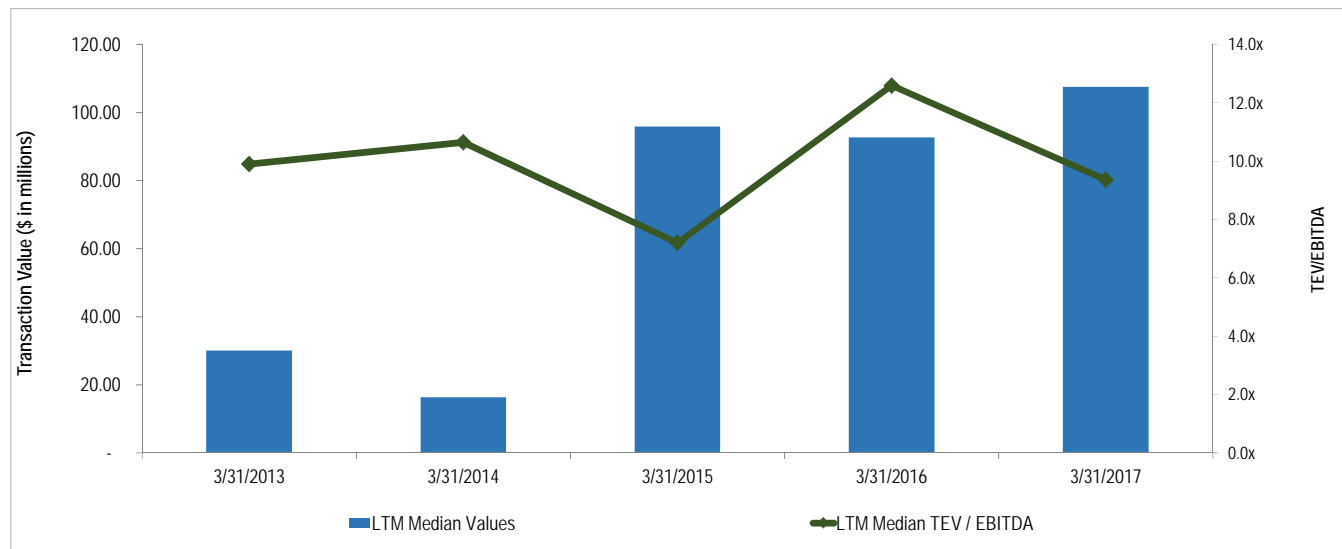
## Transactions by Value & Volume



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 4/17/2017 and PCE Proprietary Data

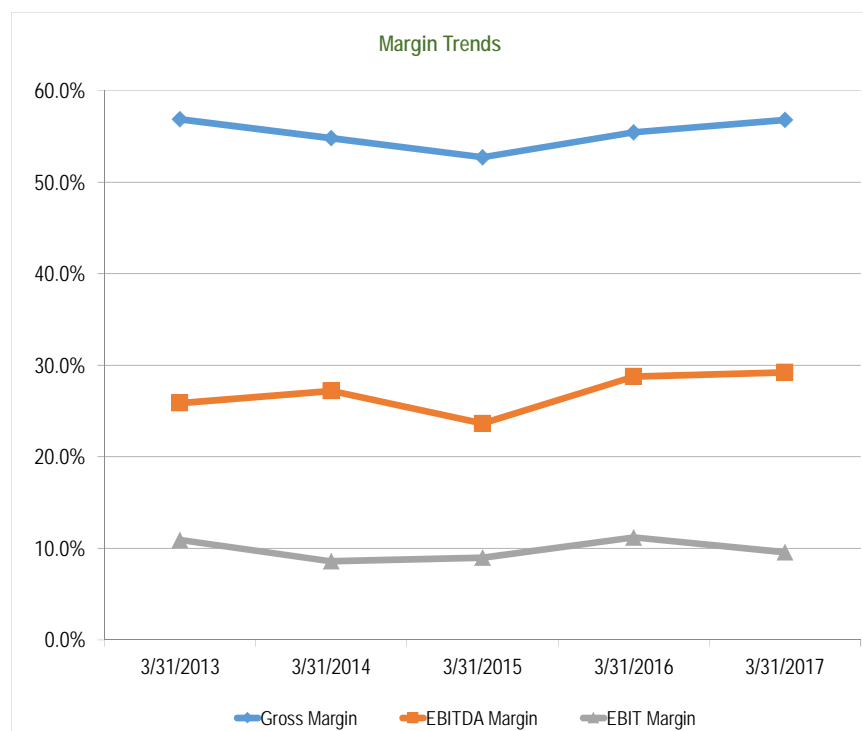
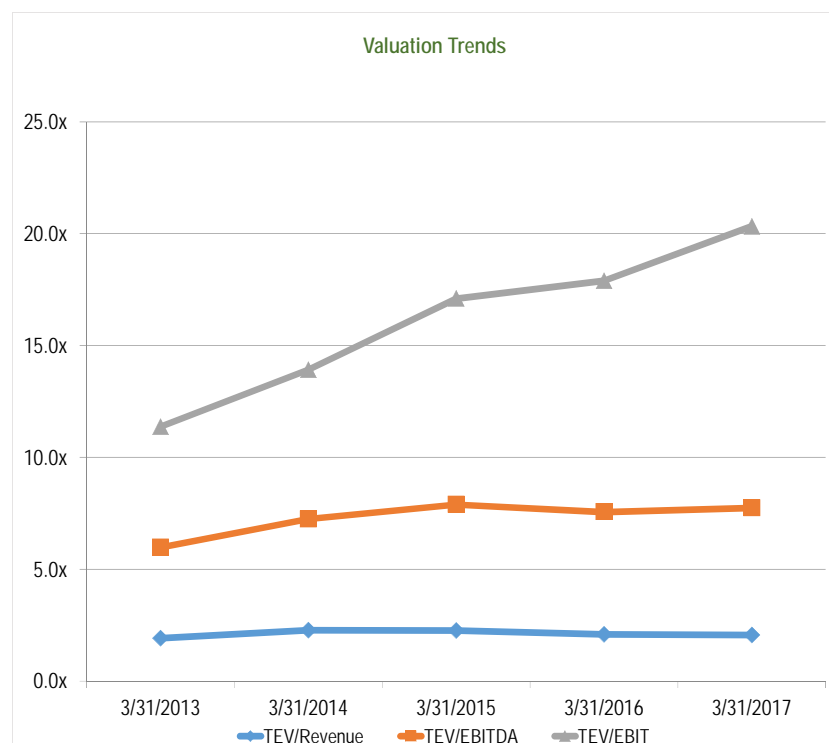
# Diversified & Wireless Telecommunication Services

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$17,477	4.2x	14.2x	20.9x	TEV/Revenue	↓
Median	\$1,042	2.1x	7.7x	20.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	54.7%	24.2%	4.5%	Gross Margin	↑
Median	56.8%	29.2%	9.6%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data

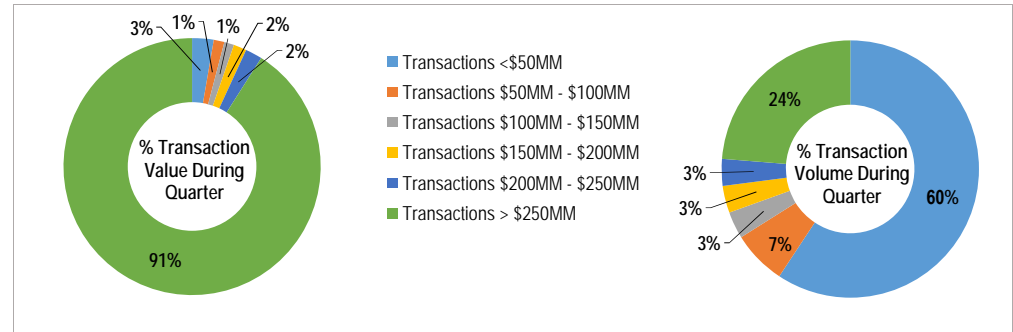


## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	402
Number of Transactions with Disclosed Values	59
Transaction Value*	\$21,918.74
Average Transaction Value*	\$371.50
Median Transaction Value*	\$34.17

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

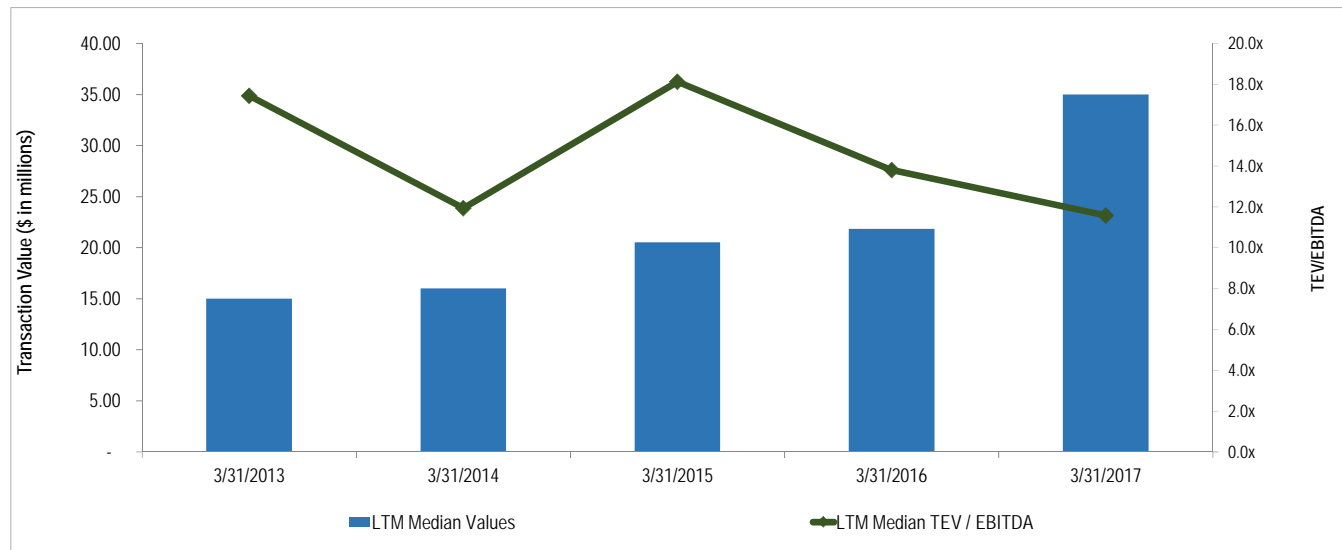
## Transactions by Value & Volume



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 4/17/2017 and PCE Proprietary Data



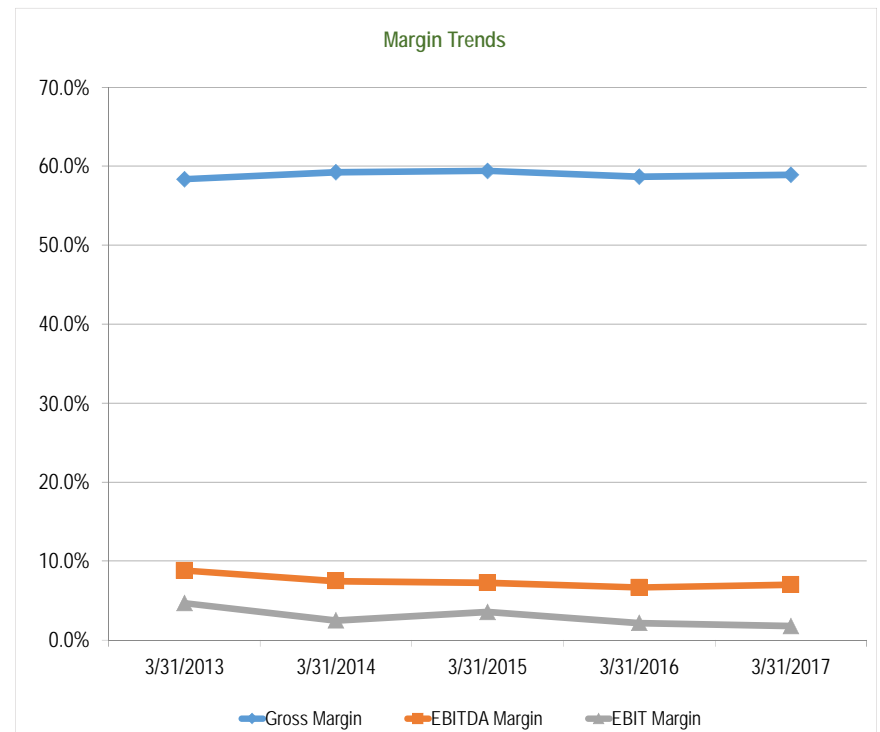
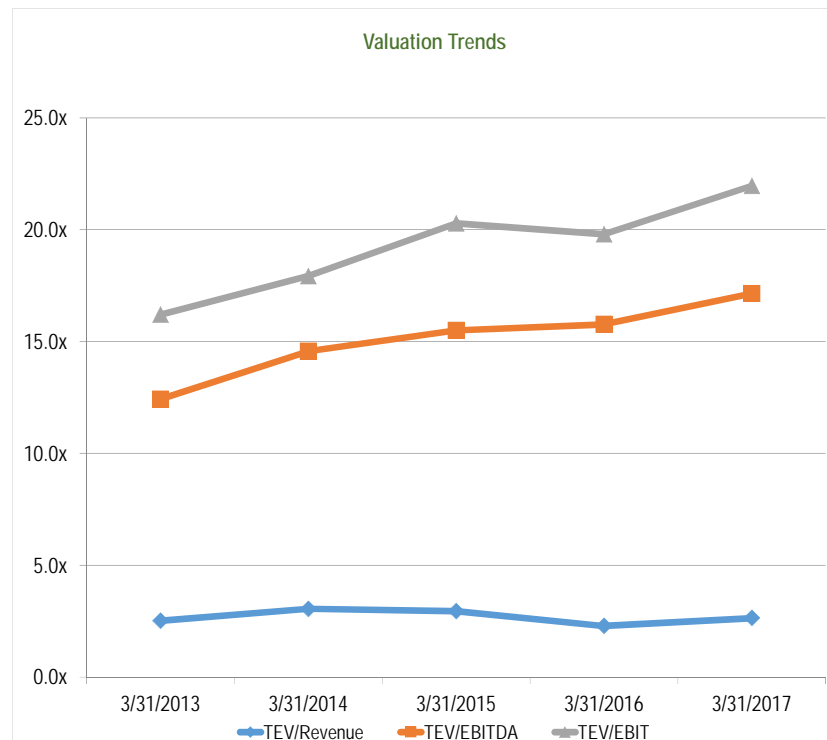
# Internet Software and Services

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$11,063	4.2x	30.1x	38.4x	TEV/Revenue	↑
Median	\$895	2.6x	17.1x	22.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	56.9%	3.0%	-2.7%	Gross Margin	↑
Median	58.9%	7.0%	1.8%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 4/17/2017 and PCE Proprietary Data



# Semiconductor Equipment & Semiconductors

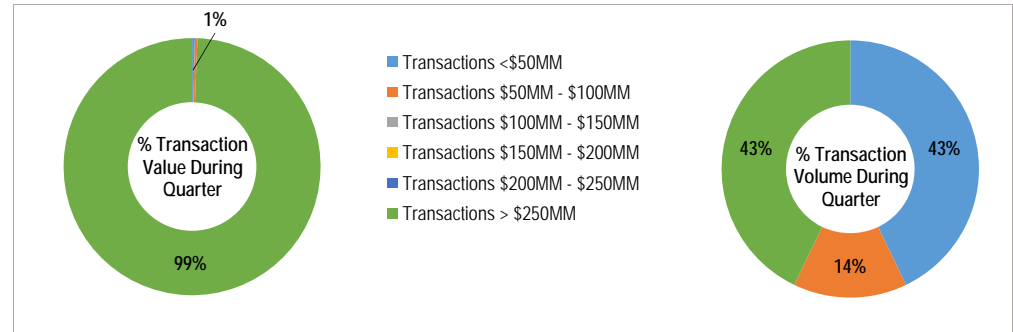
1st Quarter 2017

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

Transaction Volume	11
Number of Transactions with Disclosed Values	7
Transaction Value*	\$19,614.99
Average Transaction Value*	\$2,802.14
Median Transaction Value*	\$68.00

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

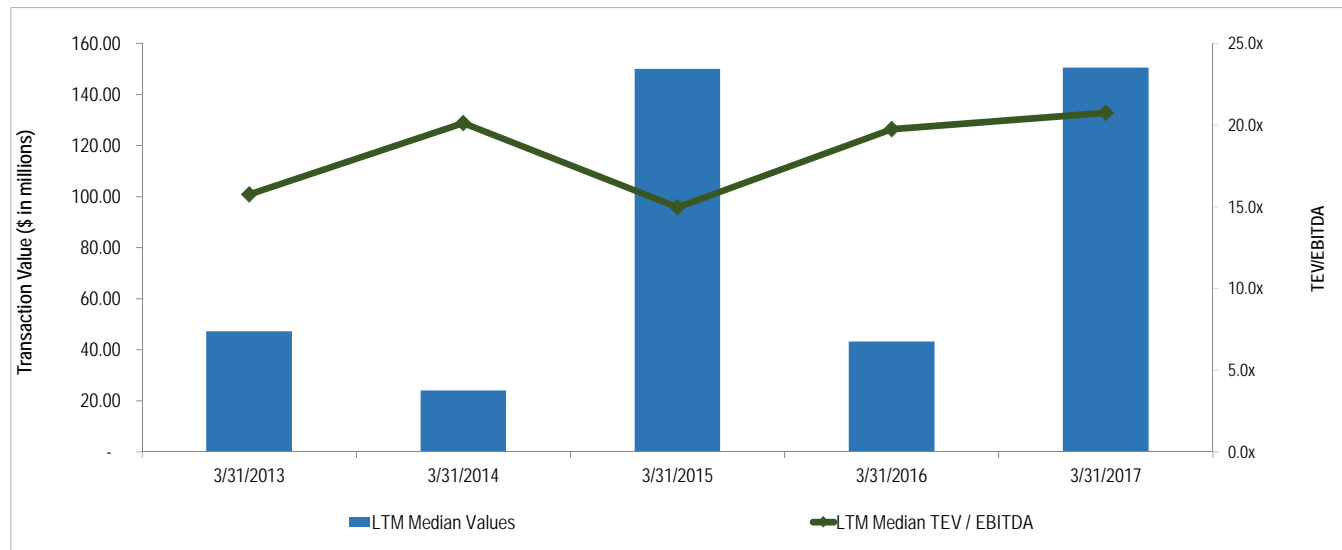
## Transactions by Value & Volume



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 4/17/2017 and PCE Proprietary Data

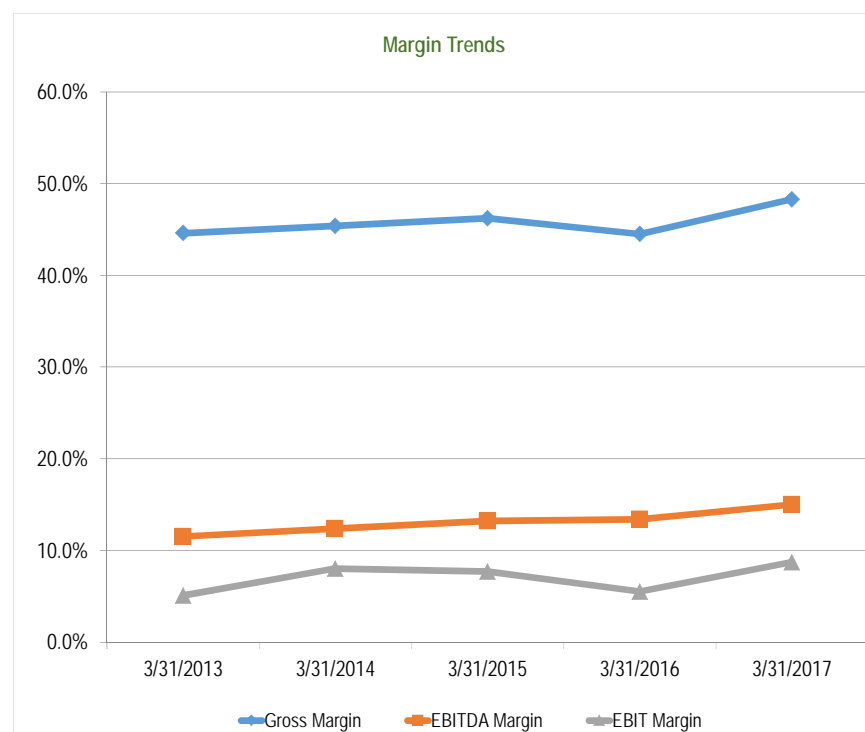
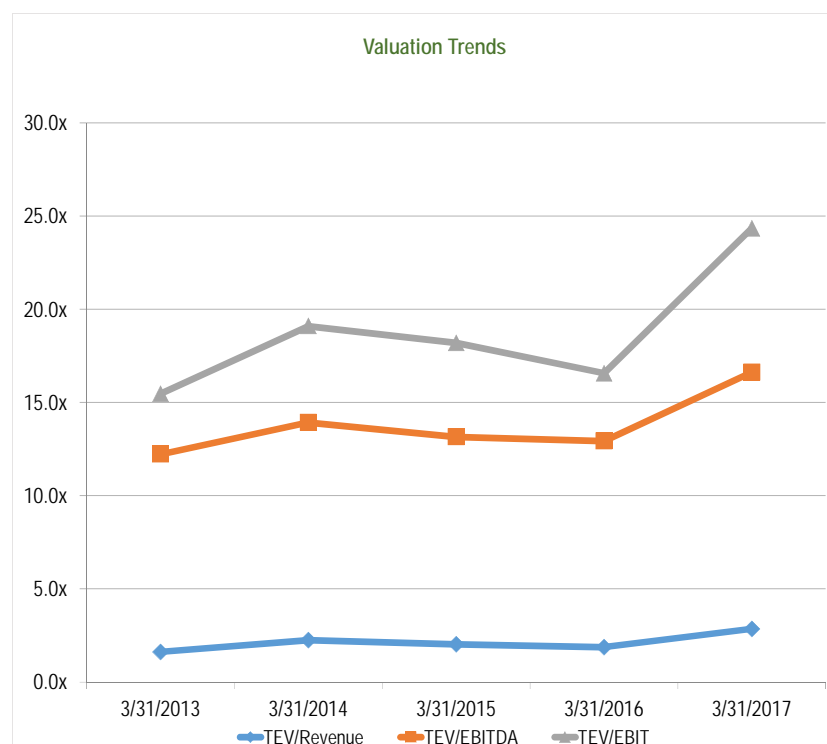
# Semiconductor Equipment & Semiconductors

1st Quarter 2017

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

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	03/31/2017 Trends	
Average	\$8,446	3.5x	22.7x	29.7x	TEV/Revenue	↑
Median	\$1,177	2.9x	16.6x	24.3x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	03/31/2017 Trends	
Average	44.1%	9.7%	2.5%	Gross Margin	↑
Median	48.3%	15.0%	8.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 4/17/2017 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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

# Contact Us

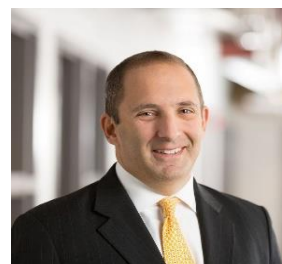


**Michael Poole**

Direct: 407-621-2112

Main: 407-621-2100

[mpoole@pcecompanies.com](mailto:mpoole@pcecompanies.com)



**Michael Rosendahl**

Direct: 201-444-6280 x1

Main: 407-621-2100

[mrosendahl@pcecompanies.com](mailto: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 dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value